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Dear Client:

In recent weeks, illegal immigrants are coming into Texas from the north, not just the south. The reason: Oklahoma's tough new immigration law.

Oklahoma House Bill 1804 will not become law until 11/1/07. **The law was passed overwhelmingly by the Oklahoma Legislature** (88-14 in the House and 41-6 in the Senate) and signed by its governor, a Democrat, in May. Even with an anticipated court battle, already there are signs thousands of illegal immigrants have fled Oklahoma.

According to Tulsa's KOTV, **Hispanic community leaders claim that as many as 25,000 Hispanics have already left Oklahoma.** Que Buena, a Hispanic radio station, says advertisers are not paying for their ads because audiences have dwindled.

The owner of Las Americas, Tulsa's largest Hispanic grocery store chain, says he believes his **business has dropped by 20%, or roughly \$200,000 a month**, and he has cancelled plans to open four more stores. He also feared it will get worse when the law goes into effect, saying "we might close the doors."

The state law may be the toughest in the nation. **Criminal penalties will be levied for knowingly and willingly harboring illegal immigrants.** No public benefits will be allowed to people who are in Oklahoma illegally, except in case of medical emergencies. Businesses would need to run all workers through a federal verification system or risk penalties and legal action. In-state tuition would be cut off for illegal immigrant students.

Enforcement of the new measure may *not* begin as planned. An organized effort is underway to get the law overturned in the courts. Billboards are going up in Oklahoma that read: **"Is it OK ... for Oklahoma to have a law that promotes hate among people?"** And the opposition is emboldened by a federal judge's ruling in Pennsylvania that struck down a similar immigration law passed by a small town, saying local law was pre-empted by federal law.

But no matter the court outcome. The law is already resulting in an **exodus of illegal immigrants, many of whom are crossing the Red River into Texas.** Texas has no such law and the regular session of the Texas Legislature will not convene in Austin until January 2009.

Underlying the search for solutions to traffic problems in Austin, the most congested city of its size in the nation, is a disdain for the Texas Department of Transportation (TxDOT).

The battles between the keepers of the purse strings, the Texas Legislature, and TxDOT's leadership were well chronicled earlier this year when **Democrats and Republicans alike were engaged in many running battles with TxDOT.** Austin's State Senator **Kirk Watson** said this week he feels the problems with TxDOT are what he calls a "political agenda" in the top leadership of the big state agency.

He also said TxDOT needs more "transparency" in its decision-making processes and actions, and he made it clear he was *not* speaking about the TxDOT exec who oversees the Austin district, **Bob Daigh.** **But there is no doubt Watson feels a sense of frustration in dealing with TxDOT.** He pointed out how hard it was for him to get meaningful information from the agency, even though he is vice-chair of the Senate's Transportation committee.

Watson also indicated various TxDOT issues may be addressed between now and the next time the Legislature convenes in Austin January 2009, as **the powerful state agency undergoes a "Sunset Review"** – the process by which all state agencies are subjected to an analysis justifying their existence.

Watson's words are important because he is also chair of the Capital Area Metropolitan Planning Organization (CAMPO), the federally required planning group that **controls approvals and spending on transportation in Williamson, Travis and Hays counties.** For instance, the 19-member CAMPO board will decide the fate of certain toll roads in the area at its next meeting 10/8/07.

This conflict with TxDOT is exacerbated by the **lack of funding many believe is needed to adequately address the traffic mess you face daily on the roadways in Austin.** Watson also is critical of his fellow members of the legislature in this regard. He pointed out that road construction and maintenance costs have gone up 20% between legislative sessions, but House and Senate members only granted a 2% increase in funding.

Further, Watson is advocating "indexing" the gasoline tax. He says the current gas tax was enacted in 1991 and while the price per gallon has increased dramatically in that time, the tax has remained the same. He's in the minority in his view. The House, where all tax increases must originate by law, voted down by 122-19 a proposal to tie the *tax* on gasoline to the *price* of gasoline.

His point, however, is there must be additional ways to get money for transportation and tolls on roadways are only a partial solution. **He says transportation and its funding will be the single biggest problem facing this area for the next generation** – unless funding is solved. As important as water and environmental issues are, Watson says "not everybody is an environmentalist, but everybody drives a vehicle."

The dollars are flying fast and furious through the Austin skies as old office buildings are breaking sales records, new office buildings are opening at a fast pace while construction continues at a quick clip on other office buildings.

Two of the biggest office investment transactions the city has ever seen took place in 2007's first six months. **The Blackstone Group bought nine office buildings from Equity Office Properties then turned around and flipped all nine of them to Thomas Properties Group.** On top of this double-dip, 24 other office building transactions were completed, resulting in the sales activity far exceeding the total of any previous year, according **Helen Jobs** with Sperry Van Ness and Gold Eagle Investments

Jobs says "amazing and extraordinary only modestly describes sales activity for the first six months of 2007." Adding to this activity, **construction was completed on six new office buildings** in the first half of 2007 and a **dozen more office buildings – ranging from 72,000 sq.ft. to 375,000 sq.ft. – are currently under construction.** And this does *not* include the downtown condo high rise construction frenzy. It's a busy time.

In a couple of weeks, no businesses will be able to claim to be "members" of the Better Business Bureau.

The term "BBB Member" will be officially retired and all those that belong to the BBB will be referred to as a "BBB Accredited Business," effective in October. Why the change? The BBB says **seven in 10 consumers say they will be more likely to buy from a company designated as a "BBB Accredited Business"** and two-thirds of consumers think the term is a better way to identify a company affiliated with the BBB. A new BBB seal will be offered to members.

Your postage rates are going up again.

Across the board postage rates will kick-in by mid-year. The hike is minimal. A first-class stamp goes from the current 41-cents to 42-cents. Overnight *letters* will go up by 5% while overnight *packages* will cost 7% more. If you buy the beautiful Liberty Bell "forever" first-class stamps at 41-cents, they can be used "forever" no matter how much the rates go up.

Can't get enough college football? UTSanAntonio is taking steps to begin a Division 1 football program just down the road. Nearly 66% of UTSA students voted in a campus referendum this month to approve an increase in their athletic fees that would go toward financially supporting such an effort. The UTSA Roadrunners would like to also move away from the Southland Conference.

Loan and credit requirements are being tightened in the wake of the subprime mortgage mess, as has been widely reported. So, what are the new benchmarks?

While interest rates may be going down as the result of action taken by the Feds this week, the minimum FICO scores are being ratcheted upward for loan-seekers. The cutoff for a “good” FICO score was around 620 before the mortgage mess reached a critical mass. **Now we understand many lenders have raised the bar to 660 or 680**, and in fact all the way up to 720, if the borrower cannot meet other requirements. The new FICO scores are pricing many would-be borrowers out of the market. But there’s more.

Some lenders, instead of requiring two months worth of loan payments verified as on deposit in a bank, have hiked this requirement to six months on certain loans. And, as we have reported previously, the days of no-money-down are long gone and many lenders are requiring 10% or even 20% equity. They call it loan-to-value (LTV) and **an 80% LTV gives the lender a lot more comfort.**

Another benchmark is manifesting itself in a different way. Home buyers are finding that appraisers are not nearly as “loose” as they once were in setting the value of a home. **Appraisers are being much more conservative and lenders are requiring them to have very good “comparables” to back up their appraisals.** Even if home buyers and sellers agree on a price, if it does not “appraise” at the agreed-upon price, the lender will balk.

Borrowers are having a **more difficult time qualifying** for a loan and lenders are more **hard-nosed when it comes to agreeing upon the value of a home.**

All this is triggered by problems in other areas of the nation. Even though the **Austin market is among the US’s most vibrant**, the loan and credit situation is driven by national conditions.

Dr. Louis Overholster points out “it is called ‘Intelligent Design’ because God created heaven and earth and all the living creatures upon it. He had nothing to do with tattoos!”

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