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Dear Client:

Six times. Six times, voters have been asked to change the way the Austin City Council is elected. And six times, the voters said no. Comes now, one more time — maybe.

Over the past several decades the idea of electing Austin City Council members from specific districts — rather than the city at large — has gone down to defeat. **To change the system, the City Charter must be changed by a majority of the voters.** And proposals to change the City Charter can only be put in front of the voters every few years. A preliminary effort is underway now that *could* result in the proposal appearing on the ballot in May 2008.

When the idea first surfaced years ago, it was a civil rights question. **Were minorities fairly represented on the Austin City Council?** An “agreement” was reached by city leaders to “set aside” one seat where only Hispanic candidates would run and another where only African Americans would be on the ballot.

This gave **proportionate representation to the two minority categories** on the six-member City Council. So, the US Department of Justice ruled — several times — the “at-large” system did *not* discriminate because minorities had fair representation on the governing body. This agreement is still in place today.

But what about the *other* arguments for single-member districts? Well it depended upon whose ox was being gored. **If one faction was out of power, the other proposed changing the system.** And different mixes were trotted out — 1) elect all by district with the mayor citywide, 2) elect some at large, some by district, 3) no specifically drawn districts on the ballot (pig in a poke?), or 4) specific boundaries proposed (boundaries picked apart). Voters said no.

Now, what? Well, once again, a citizens committee has been formed and is holding hearings to determine whether the issue should be raised with voters for a seventh time. **And, guess what? Nobody seems to care.** This is one of those ballot items that usually incite passions — and that is needed to turn out the voters. But, so far, **very few are showing up at hearings.**

So, while the process is moving along — and the committee is doing all it can to get citizen input — it doesn't appear at this stage as if there is any interest. **The committee must make a decision in January** if single member districts will be on the May 2008 ballot. Stay tuned.

What are the banks doing during this mortgage market crisis? And what does it mean for those homeowners who getting into trouble with their mortgages?

For the most part, banks are not in a panic mode at all. In fact, **the savvy lenders are working with the homeowners to get them through their problems** – instead of rushing to the courthouse to foreclose on problem home loans. Most banks would rather **re-work the terms of the mortgage to continue receiving payments**, instead of taking over a property that might be difficult to sell on the open market.

Even on the national scene, our friends at Washington's *The Kiplinger Letter* say "there's no fire sale going on. **Banks are holding, not dumping, their mortgage-backed debt.** Banks are simply marking down the value that they expect to derive from such mortgages in the future."

Kiplinger admits "vultures are circling, offering 50-cents or less on the dollar for the mortgages. But the **lenders think they can get much more once the dust settles.** After all, most of the loans will continue to generate income."

Having said this, **the foreclosure rate in Austin went up about 12% in the last quarter.** But for the lenders trying to work out as many problem loans as possible, it could be a lot worse. And it's better here than in other major Texas cities and, of course, than in the problem states of California and Florida.

Speaking of problem mortgage markets like California, we ran across some staggering numbers the other day. **October's home sales in the Silicon Valley and, in fact, in the 9-county Bay Area are the slowest in at least 19 years.** Sales peaked in October 2003 at 13,392. In October 2007 the sales tally had dipped to 5,486. In fact, sales have decreased in a year-over-year basis the last 33 months in that high-tech portion of California.

Needless to say, financial institutions are leery (as are the regulators who watch over them) of jumping back into the go-go lending days when almost anyone could get a loan that during tighter times would be classified as marginal at best. As a result, **a huge chunk of the mortgage market will stay tight as risky borrowers are pretty much off limits now.** And *Kiplinger* forecasts "odds are lending practices won't loosen up again before 2009."

Does the rising cost of living place Austin among the nation's most expensive college towns?

Not even close. **Of the Top Ten most expensive college towns, five are in California.** Two are in Florida, and one each in Massachusetts, Illinois and Hawaii, according to the Coldwell Banker College Home Price Comparison Index. The most expensive: Stanford University in Palo Alto. USC and UCLA in Los Angeles are #3 and #4; Cal-Berkeley is #5.

UTAustin's proposal to sell prime West Austin land fronting Lady Bird Lake will continue to generate controversy until final decisions are made. But it will be nothing compared to the first days of the Brackenridge Tract.

What do you mean the current controversy will pale compared to what happened in 1921? Doesn't the land now include **a popular municipal golf course, student housing and a nationally-recognized research lab**. And don't each of these facilities have vocal constituencies – including: 1) the City of Austin that wants to keep its many golf course, 2) married students with kids who need inexpensive housing, and 3) renowned faculty whose livelihood may be threatened if they lose their outdoor research facilities where projects have been monitored for years?

Well, yes. These are powerful constituencies that, if marshaled, could create quite a stir. But still, this wouldn't compare to 1921 – when the **brouhaha around George W. Brackenridge's gift of land to UTAustin almost caused Austin to lose The University entirely!** That's right. The gift of the land prompted an effort to **move the University** to a site between Dallas and Fort Worth. Now, that's what you call a controversy!

Here's how it all came down. In 1920, the UTSystem Board of Regents petitioned Gov. **William P. Hobby** (just before he left office) to **move the entire University campus to the lovely, tree-studded West Austin waterfront Brackenridge Tract** from what were already cramped quarters just north of the State Capitol.

That in itself triggered an uprising. In February 1921, 28 members of the Texas House of Representatives signed a resolution calling for a **statewide election to determine a new permanent location for The University of Texas**. Then State Senator **J. C. McNealus** from Dallas stepped in and proposed The University be moved to a **location between Dallas and Fort Worth**.

You can imagine how, with the purse-string-controlling Legislature weighing in, this **ratcheted the controversy up mightily**. State Representative **Lee Satterwhite** really wanted to move The University to the Brackenridge Tract, but he also felt it should stay in Austin. So he asked university president **Robert E. Vinson** to provide information about how much additional land would be needed at the present site for an adequate campus.

This was delivered and the Texas Legislature passed an appropriation bill of **\$1.5 million to allow expansion of the existing campus**. The first UT grad to become governor, **Pat Neff**, signed the bill to the cheers of Austin business and civic leaders. And the headlines in the *Austin American* read: "Students and Professors in Gratification Parade – Thank Governor Pat Neff." This little known story can be found in a new book full of similar stories, *The Land, The Law, and the Lord: The Life of Pat Neff*, by the late **Dorothy Blodgett**, her widower **Terrell Blodgett** and **David Scott**. Check your favorite bookstore. It is recommended reading.

A company re-location in 1967 indicated Austin's job base *could* be something more than state university, state capitol oriented. While it was the first time a world-renowned company selected Austin for a plant site, who could have dreamed what it meant in the long run?

I mean, really. **IBM simply picked Austin as a place to manufacture the new-fangled Selectric typewriter.** That's it. Nothing more, nothing less. But Austin's quality of life, its highly-educated workforce, its relatively low cost-of-living-and-doing-business soon led IBM, one of the world's most respected companies, to start expanding its Austin operations.

Now 40 years later, with Selectric typewriters a relic of the past, the IBM Austin Research Laboratory (ARL) is maintaining its **world-wide edge in high-speed microprocessors**, with emphasis on very fast circuit families and computer-aided design tools to support complex and high performance microarchitectures. ARL has also broadened its concentration to include software and hardware systems.

In addition to its ongoing power-related research, ARL, as part of IBM's Low Power Initiative, is helping to **coordinate low power and energy efficiency activities** and bringing people together throughout IBM who are working in these important areas.

To underscore IBM's importance to jobs in Austin, all you need to know is IBM is the top recruiter of UTAustin's engineering students and is among the top tier in recruiting UTAustin's business graduates. More than this, though, **IBM has steered more than \$45 million to UTAustin** in the form of gifts, grants, sponsorships and procurements over the past forty years. And in the past *five* years, faculty and graduate students in particular were awarded nearly \$3 million in support of their research. Who could have imagined a little acorn (a typewriter that featured a round ball of type) could have grown into such a tall oak as the IBM Austin Research Laboratory. And, in the process, it caused many other major jobmakers to consider Austin.

This Thanksgiving week, **Dr. Louis Overholster** wanted to remind you that the biggest problem at the end of every Thanksgiving dinner is leftovers. Not food – relatives!

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Sincerely



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