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Dear Client:

**The month of August has been brutally hot and dry. After a mild, wet first part of the year, does a stack of triple-digit dry days in August signal the start of another drought?**

Year to date, rain totals are near normal across most of Central Texas and the Hill Country. **Bob Rose**, meteorologist with the Lower Colorado River Authority, says “the latest National Drought Monitor **does not depict drought** across Central and South Texas, although there is a small area northwest of San Antonio and another **small area north of Austin that are depicted as ‘abnormally dry,’ or in the first stage of drought development.**”

There is another factor forming that could mean **below normal rainfall may be in the offing**. Rose said the meteorological phenomenon known as La Niña will persist through winter and into next spring, possibly becoming a strong La Niña around the end of the year. “La Niñas typically cause a pattern of **below normal rainfall across Texas in the fall and winter months** as they cause the Jet Stream and storm track to stay north of the region,” Rose points out.

Well then, what about tropical activity? The Atlantic hurricane season has gotten off to a slow start, with only 1 hurricane and 2 weak tropical storms so far. This could be about to change. **The normal peak period for activity is from now through September**. So there could be some significant changes **within a matter of days and the tropical portion of the Atlantic could become very active**. And Rose says some of these storms could affect the Texas coast and areas inland.

So, Bob, what is the outlook for September through October? “**Across the Hill Country and Central Texas regions, rainfall should be near normal.**” And the temps? “**The pattern of warmer than normal temperatures we’re experiencing right now will likely continue into September.**” October? “**The first substantial cold fronts of fall should begin arriving in late September and early October**, but the temperature in October will likely still average warmer than normal.”

Okay, realizing it gets iffy for a weather guy to look way down the line, what do you see for the Central Texas *winter*, Bob? “**This fall and winter will likely not resemble last year’s fall and winter which was very wet and featured a persistent pattern of cold temperatures. There will be frequent stretches of mild temperatures and only sporadic rains.**”

**Still on the subject of weather, what about the possibility of devastating hurricanes slamming the Texas coast in the next few weeks and changing the weather patterns in the Austin area?**

If you pay attention to the analysis from the National Hurricane Center, there *is* such a possibility looming out there. This month, the Center forecasters updated their models and they reflect a very active Atlantic hurricane season is just around the corner. In fact, the new outlook calls for **14 to 20 named storms, 8 to 12 hurricanes and 4 to 6 major hurricanes.**

Yeah, yeah. But the Atlantic is a big area, **what is the likelihood the Gulf of Mexico and the Texas Gulf Coast will bear the brunt of some serious storms?** First of all, Hurricane experts have already labeled this as a “*very active season.*” And the historical possibilities for multiple hurricane strikes increase markedly during very active seasons.

They point out that **all above normal seasons have produced at least one named storm in the Gulf of Mexico, and 95% have produced at least two named storms** in the Gulf. Most of this activity (80%) occurs during August-October, with 70% of above normal seasons seeing at least three named storms in the Gulf of Mexico during this period.

Of course, **last year was predicted to be a very active season as well and it pretty much fizzled out.** So, does this mean this forecast could be way off – or does it make it even more likely that this is the season where the law of averages catches up? We’ll know soon enough.

**Look out! China has blown past the US as the country with the fastest pace of new wind power additions, after the US was tops in that category for four years.**

To give you an idea of how China has ramped up, the **US market continued to expand in 2009 and shattered its 2008 record for new wind power additions** – and still ranked 2<sup>nd</sup> to China. Growth is distributed across much of the nation, but Texas led the US with 2,292 MW of new wind power capacity.

What about Austin in this picture? **More than 20 companies make up the wind energy industry in Austin.** What types of businesses are part of this? Wind farm project development, wind turbine manufacturing, wind energy R&D and transmission line infrastructure.

Who is involved? **UTAustin’s Center for Electromechanics** is conducting cutting edge wind energy research. **TECO-Westinghouse** manufactures utility scale wind turbines in Round Rock. And **Austin Energy** draws 12% of its energy needs from wind power and is beta-testing micro-wind turbines on city buildings. Obviously wind energy is a growing factor here.

**All those who drive MoPac/Loop 1 raise your hands. Look around you. This involves a huge number of motorists. So, what is being done to make it easier and safer to negotiate this popular roadway?**

First of all, start with the fact that whatever solution is selected, **it will be years before a solution can be implemented.** That's just the way it is with roadways. But there are some favorable signs that may speed (this word is used advisedly) it along.

**The Texas Department of Transportation (TxDOT) has set aside \$2 million to jump-start the halted environmental assessment and preliminary engineering study** necessary to determine a design for managed lanes on the crowded roadway. And the City of Austin has offered to chip in \$100,000 to help with the cost.

So, what are managed lanes and how would they work on MoPac/Loop1? First of all, the plan calls for them to **run both southbound and northbound** between Cesar Chavez in the downtown area to Parmer Lane out north.

If you wanted to bypass congestion that stacks up daily on that stretch of roadway, you will be able to **pay a toll to access the express lanes.** Buses and registered vanpools will be able to use those express lanes free.

Well, that oughta be fairly inexpensive, shouldn't it? Especially since you are not building a new roadway. Not so fast. **Early estimates to build managed lanes on MoPac/Loop1, according to the Real Estate Council of Austin (RECA), range from \$200 million to \$220 million.** Whoa! Why so much?

Although the current study will determine the final design, RECA says transportation officials agree that the key to making managed lanes work is for the design to **include a direct connection – either a flyover or a dedicated ramp – from the managed lanes to Cesar Chavez Street downtown.** This would prevent the need for vehicles exiting the lane to dangerously negotiate three lanes of traffic to get off MoPac/Loop1.

You mentioned charging a toll to use the managed lanes. What kind of revenue would that bring in to offset this big cost? The Central Texas Regional Mobility Authority has conducted preliminary traffic and revenue analyses and indicates the **managed lanes could produce healthy toll revenue.** In fact, it claims the Mobility Authority has been **courted by investors who see MoPac/Loop1 managed lanes as a solid financial risk.** The Authority has indicated it hopes to finance the project through a combination of private equity and toll road grants.

**If this should come to pass, when would construction begin? Good question. It could begin as soon as 2013** if – and *if* is the operative word – the preliminary engineering and environmental assessment are fast-tracked. This is one to watch.

**Home sales statistics are likely to paint a picture of a weakening market through the end of 2010 and the first half of 2011. But those numbers will not tell the whole story.**

You'll probably see economists and analysts cluck-clucking as they attribute the bleak numbers to a deteriorating housing market. But **they will miss the point**, according to **Mark Dotzour**, chief economist of the Real Estate Center at TexasA&M.

“The year-over-year decline in existing home sales will be the result of **comparing months when there was no tax credit with those from a year earlier, when the tax credit was artificially increasing sales**,” Dotzour noted.

**The \$8,000 tax credit for first-time homebuyers went into effect in January 2009.** Then it was extended beyond its November 2009 expiration date. After that, it was extended and expanded beyond first-time homebuyers. Sales increased significantly, although a bit sporadically.

Then the process reversed itself. **Pending home sales fell dramatically in May 2010**, the month after the tax credits expired, Dotzour pointed out. This, he said, was followed by a significant drop in home sales in June and July.

**Dotzour said August figures may not be much better** since many buyers purchased homes before the tax incentives expired. As he put it: “When you ‘bring forward’ sales through tax incentives, sales will be lower after the tax credit ends.”

Unless Congress creates a new tax credit this fall, Dotzour said monthly sales for 2010 will likely exhibit significant variance from 2009, and **a true reading of the housing market conditions may not be possible until June or July 2011.**

Speaking of Congress, **Dr. Louis Overholster** chuckles at what Mark Twain said years ago in another time and another place: “Suppose you were an idiot. And suppose you were a member of Congress. But then, I repeat myself!”

Sincerely



Editor/Publisher