

THE

Real Spelce

AUSTIN LETTER

www.AustinLetter.com

P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail News@AustinLetter.com

Volume 34, Number 35

November 23, 2012

Dear Client:

The beautiful fall Central Texas weather of the past couple of weeks has been a delight. But lest complacency settle in, you need to be aware the current drought is likely to get worse.

You are in the 2nd year of a drought. At times, this drought has been more intense than the worst “Drought of Record” from 1947 to 1957. In fact, calendar year **2011 was the driest in state history**. And there is no end to what old-timers call this “dry spell.” For instance: October is historically the third wettest month of the year, but **rainfall this October was only about 25% of the average**. And, even worse, the water that actually flowed into the Highland Lakes, known as inflows, was only about 16% of October’s average.

Besides other factors, **the drought impacts water for drinking, industry, agriculture, business and recreation from Central Texas to the Gulf Coast. And the water supply is low and getting lower.** Though forecasts earlier in the year indicated an El Nino weather pattern might form and bring above average rainfall, new forecasts show there is little chance El Nino will materialize.

The weather teased us a bit this fall. Rain storms helped the area, but they added little water to the Highland Lakes, where reservoir lakes Travis and Buchanan capture water for the region. The reason: **the ground was so dry that most of the rain soaked in and did not run off into the lakes.**

The net effect is that lakes Travis and Buchanan were only **about 50% full on June 28th and by the middle of this month, combined storage was only about 43%**. This trend line is obviously concerning to all who use water from the Highland Lakes, managed by the Lower Colorado River Authority (LCRA). The *inflows* are a bit better so far in 2012, but still low – about 35% of average compared to the lowest on record in 2011 when they were about 10% of average.

As you may recall, the LCRA instituted **historic emergency water allocation measures earlier this year. Water was severely curtailed to most farmers downstream from Austin.** Still, with these drastic measures, the Highland Lakes have not recovered this year – as noted above. So what is the plan (other than for dubious rain dances, cloud-seeding, etc.)? Check out the next item for a glance at what is on the table for decision-making sooner, rather than later. It’s a bit complicated, but vitally important for any water user.

Saying “this plan isn’t perfect, but it’s the best we could come up with,” the Lower Colorado River Authority (LCRA) is proposing yet another emergency drought relief plan for Central Texas for next year. Some water users could be hit severely.

The LCRA has studied the issue, held hearings and weighed various options. The LCRA Board said it “understood the **economic distress caused by this drought to farmers** in the lower Basin.” But it added: “current analysis shows that strict adherence to the 2010 Water Management Plan could result in water being released for irrigation of the first crop in 2013 but cut off before the crop is complete. **Such a circumstance would lead to crops burning up in the field and the water already used for irrigation being wasted.**”

So, the LCRA is proposing a sliding scale for further curtailment of water for agricultural use. Downstream irrigation season runs roughly from mid-March through mid-October. **The LCRA has set a series of benchmarks based on how much water is stored in lakes Travis and Buchanan. If water supplies dip below the benchmark, then water is curtailed for agricultural purposes.** Bottom line: the farmers will suffer financially. It could be a devastating year.

The LCRA said its plan will **protect “industrial and municipal customers by reducing the chance that the lakes will fall to the point where LCRA’s Board has to declare a drought worse than the Drought of Record (1947-1957) and curtail water”** to other customers. If you need precise parameters, you can go to www.lcra.org. Approval of the new plan is still a few months away.

If you drive from Austin to the Gulf Coast, especially along a route roughly parallel to the Colorado River’s run to the Gulf of Mexico, you’ll note rainfall quantities year-round that seem to well exceed the amount of water falling annually in the Hill Country and Central Texas. **Why can’t this water be captured downstream so less water is needed to be drained from lakes Travis and Buchanan?** Funny you should ask. This is part of a long-range plan

How long-range? If all goes well, new water supply projects could start coming online downstream by 2017. The LCRA Board has already authorized staff to negotiate and execute contracts on land in several counties. The objective is to **create several reservoirs that would capture and hold water**, so the water could be released for agricultural interests downstream, as needed.

LCRA General Manager **Becky Motal** said “LCRA is aggressively moving forward with plans to **build as many as three downstream reservoirs**. We need to find new water supplies, and building new reservoirs downstream will help us capture water that otherwise would flow into Matagorda Bay.”

These new reservoirs would be much smaller than lakes Travis and Buchanan. But, hey, this is **water that would not need to be released from the Highland Lakes.**

Thanksgiving came a little early this week for the Austin area economy when the world's largest credit card organization announced it wanted to set up a new global information technology center in North Austin.

Quite a deal. **Visa USA's announcement is just one more – major – indicator that the economic momentum for the Austin area is continuing.** Visa USA Inc. is a global brand, recognized worldwide. Its spokesman said this week that “Austin offers a **vibrant technology community and business-friendly climate** and we are working closely with local officials to finalize an agreement.”

What does this “agreement” mean? Well, Governor **Rick Perry** kick-started the shape of the agreement when his office made the announcement this week and said **the state has offered Visa \$7.9 million in incentives** through the Texas Enterprise Fund. And the **Austin City Council will meet within days to consider a \$1.6 million economic development grant.**

Visa estimates it will invest about \$27.2 million in property and equipment to be sited 12301 Research Boulevard.

Oh yeah, jobs. If all goes smoothly **Visa estimates it will create about 138 new jobs in 2013.** Its growth and expansion plans for the Austin IT center call for a total of about **841 total jobs in 2017.** Salaries? Well, Visa projects that these jobs will have an **annual wage of \$113,341.** The Austin economy just keeps on keeping on.

The hyper economic activity in the Austin area is having a positive impact on the residential housing market.

October isn't a normally high home sales month. But Austin area homes continue selling at a fast pace as rising rental rates make buying a more attractive option. Helping the activity along: mortgage interest rates remain low, families are moving to the area to scarf up attractive jobs.

As you would expect, the **price of homes is also rising** to try to keep up with the demand, though the number of homes with “for sale” signs in the front yard has diminished to the point of being a seller's market.

You might say it is the same song, umpteenth verse. **But the pace is picking up.** In fact, many homes listed for sale are **receiving multiple offers** if the listing price is in line with recent comparative sales. The Austin Board of Realtors reported this week **October home sales racked up the biggest year-over-year percentage increase since 2009.** Possibly even more impressive is, at the current sales pace, **there is only a 3.4-month supply of homes for sale. A stable market is 6.5 months of inventory. Below that, prices increase more rapidly.**

Finally, a personal reminiscence about legendary Texas Longhorn football coach Darrell K Royal who died at 88, following a long battle with Alzheimer's. This is not a story you would have seen anywhere else.

First of all, you need to know that Darrell and Edith have been friends and even business associates of ours since they first moved to Austin for him to assume the head football coaching position at UTAustin. He excelled in football at UTAustin's dreaded nemesis, Oklahoma University. **Yet he overcame his loyalty to his alma mater to the point that his blood turned to burnt orange.**

But this anecdote is about his love of Austin as a place to live. There was never a more powerful advocate for living here in Austin than Darrell Royal. Much has been written – rightly so – about his personal Will-Rogers-like turns-of-phrase as well as his mark on the world of college football. But this is about **Darrell and Edith's attraction to Austin.**

A couple of weeks before Darrell died peacefully, **Edith came up to me at a banquet where she was an invited guest as a past honoree.** When I asked about Darrell, she indicated his condition had taken a turn for the worse. But that wasn't why she went out of her way to say hi. **She had a story to tell me.**

Paraphrasing Edith: I was going through some of Darrell's memorabilia the other day and I ran across a tape where Darrell was interviewed by CNN's **Larry King** at the height of Darrell's national reputation. **Larry asked Darrell if he hoped some day to coach in the pros – in the National Football League.** Darrell quickly told Larry **no, he didn't.** Why, asked Larry. Darrell quickly shot back saying **"because the last time I looked they didn't have a pro team in Austin!"**

Quintessential Darrell. The City of Austin has lost a treasure.

Dr. Louis Overholster points out a clear conscience is usually the sign of a bad memory.

Sincerely



Editor/Publisher