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Dear Client:

**The huge Central Texas military base, Fort Hood, has received its new construction budget and it reflects the times in two ways: 1) it is less than the previous year, but 2) it puts the Army base at the forefront of the “new” military approach.**

Fort Hood is one of the largest military bases in the world. According to the 2010 US Census, it had a total population 53,416. It is **northwest of Austin** and due west of Temple in Bell County, with some portions of the post in Coryell County. Killeen is the closest Texas city. If you look at the official State of Texas Highway map, you will note a shaded area of about 158,000 acres that is **larger than many Texas counties** and represents a no-civilian-access area and a “no-fly” zone for private and commercial aircraft.

The FY 2013 new construction budget is a bit more than \$50 million. In past years, Fort Hood averaged about \$80-\$100 million for this type of construction. But included in this allocation is **funding for the post’s first ever “drone” complex**, the much talked about US weapon that has been used extensively in the Middle Eastern areas of conflict.

Fort Hood will have **\$22 million of the new construction budget for the Unmanned Aerial System (UAS) complex** at West Fort Hood, near the Robert Gray Army Airfield on the base. It will be utilized by the Fox and Echo Companies – drone units operating within the 1<sup>st</sup> Cavalry Division’s 1st Air Cavalry Brigade. **Fox is currently deployed to Afghanistan** and Echo is training under the 21<sup>st</sup> Cavalry Brigade, according to the *Killeen Daily Herald*.

**The two companies operate the Gray Eagle drone system, which can conduct reconnaissance, surveillance and target acquisition, as well as attack operations.** Part of the complex is set to be open in mid-2014, with the rest following by June 2015. Once completed, the complex will be the first of its kind.

Significant developments at Fort Hood, such as this, have been overshadowed by the **shooting in the Soldier Residence Center on November 5<sup>th</sup> 2009. You’ll recall 13 people were killed and thirty wounded.** US Army Major and psychiatrist **Nidal Malik Hasan**, who is alleged to have been the gunman, is still awaiting trial that has been delayed for various reasons, including his recovery from wounds received when shot by Department of the Army police officers.

**The “water cavalry” may be riding to the rescue. It could be 2017 before it arrives, but “bold and decisive action” taken this week will result in the first major reservoir being built in the Colorado River basin since the 1970s. Meantime, one of the worst droughts in Central Texas history continues.**

Building a big reservoir is a major, costly undertaking. But this week, the Lower Colorado River Authority (LCRA) Board unanimously approved beginning work that will add more than **100,000 acre feet of available water per year at an ultimate cost of \$221 million.**

The big kahuna in this undertaking is building a **1,125-acre reservoir in Wharton County.** The Lane City Reservoir will capture and store water that comes into the Colorado River basin downstream from Lake Travis and Austin. Right now, there is no way to hold rainwater or runoff water below Austin. For instance, last year, more than 800,000 acre-feet of water flowed down the river into Matagorda Bay.

And as that massive amount of water went into the Gulf of Mexico, it went past **agricultural interests that were not getting water from the LCRA** because the drought had curtailed the supply. In effect, 800,000 acre-feet of water was “lost.”

Wait a minute. **How is a reservoir a hundred or so miles downstream going to help lakes Travis and Buchanan, the source of the City of Austin’s water supply?** Even though ag interests had their LCRA water interrupted, industrial users downstream were still drawing water from the Colorado River. The nuclear power plant that provides a portion of Austin’s electricity is one of those users that must have an uninterruptible source of water to cool the nuclear reactors.

So, the Lane City reservoir could help meet those downstream contracts and, as a result, **reduce the amount of water that would need to be drawn-down from Central Texas’ lakes Travis and Buchanan.** Now, those affected by low-water availability and the drought will need to “hang on” until “help” arrives in about five years.

**Need another example of how the residential real estate market in the Austin area is getting a reputation as one of the most dynamic in the US? Look at what is happening to the value and demand for duplexes and fourplexes.**

Broker/Owner of Castle Hill Investments, **Robert Grunnah**, reports Austin duplex and fourplex values have in most cases **recovered to their highest historical values**, as the Austin market has recorded 18 consecutive month-over-month price gains.

The reason: **not many are available for sale to investors.** Grunnah notes that January 2013 is seeing the lowest sales inventory since MLS started keeping records in the mid-1990s.

**Another example for what is boosting real estate: Job creation. It is at the heart of the Austin area economic vitality. And this distinction is shared with energy-crazy Houston.**

When you look back over the past five years (November 2007 through November 2012), you find **Houston added 121,600 private-sector jobs** during that timeframe. This ranked Houston #1, at the top of 102 of the nation's largest metro markets in terms of actual numbers. **Much smaller Austin clocked in at #2 with an actual gain of 45,800 private sector jobs.** And, Dallas-Fort Worth was #3 with 28,700 jobs. This *On Numbers* analysis cited data from the US Bureau of Labor Statistics.

Think about this – and what it says about Austin (and Texas, as well) when you rank all 102 metropolitan areas in the US. **This ranking is for the precise number of jobs created in the private sector, not in terms of percentage gain.** Okay then, how did the Austin area perform when you consider the jobs created as a *percentage* of the total workforce?

**Austin blew the socks off everybody else. Number one in the US.** The others were not even close. The percentage gain for the Austin metro was 7.49%. The 2<sup>nd</sup> place metro (Houston) tallied a 5.45% gain and the 3<sup>rd</sup> place metro (McAllen-Edinburg) had 5.2% private sector job growth. Again, Texas metros took the top three spots with 99 other US metros trailing way behind.

And, oh by the way, Austin is one of only 14 major markets to **regain all private sector jobs lost during the recent recession.** And of that 14, six Texas markets – Austin, Houston, Dallas, San Antonio, McAllen and El Paso – all have more jobs now than before the recession began.

The reason this timeframe is important is that **November 2007 is one month before economists say the recession began. And November 2012 is the latest month for official figures.** Jobs that put money in worker's jeans are among the single biggest factor triggering demand for residential housing, as well as a whole range of other economic indicators.

**If the biggest business lobby in Texas has its way during the current legislative session, Texas businesses will soon have an even better advantage over others when it comes to creating jobs.**

The Texas Association of Business (TAB) this week said it will push to utilize a portion of the state's surplus budget dollars for tax relief that will give a decided edge to Texas businesses, as they create jobs. Saying "the majority of taxes paid in Texas come from business," the TAB is suggesting **changes in the franchise tax and creating a research and development tax credit.** For consumers, it is pushing for targeted sales tax exemptions, including for college text books and new computers.

**More than a million dollars has been put on the table for George Bush to be on the Texas ballot next year – George P. Bush, that is. The grandson of former president George H. W. Bush, the nephew of former President George W. Bush and the son of former Florida Governor Jeb Bush is raising campaign money at a fast clip.**

You may recall in our August 17<sup>th</sup> 2012 edition, we gave you a heads-up about his possible candidacy, alerting you to “stay tuned.” (Click the “Archives” button at the top of this page to go to that issue for background on the **36-year-old Fort Worth attorney who graduated from UT Austin’s law school**, where he met his wife, who also holds a law degree.)

On November 7<sup>th</sup> 2012 he filed a candidate reporting declaration with the Texas Ethics Commission, with his first contributions coming from his dad and uncle. Then, in quick order -- **39 business days leading up to year-end 2012 -- George P. raked in more than \$1.3 million in campaign contributions** for a yet-to-be-announced statewide race.

It’s not likely the younger Bush would start out with a race for governor (but then, who knows?). The most likely scenario is that he will watch how the political dominos fall and **announce for a statewide race such Land Commissioner, Attorney General**, etc. Meantime, the money will probably continue to roll in.

**George P’s appeal has a strong Hispanic bent.** His mom is Hispanic and he has her dark hair, dark eyes and olive skin. **He co-founded and is on the Board of The Hispanic Republicans of Texas**, whose goal is to elect GOP candidates of Hispanic heritage to office in Texas.

By the way, the middle initial “P” stands for Prescott, further reinforcing his political lineage as he is a **descendant of former Connecticut USSenator Prescott Bush**. Talk about blood lines!

**Dr. Louis Overholster** says a *defeated* candidate is the luckiest of all politicians – because the loser doesn’t have to explain why campaign promises were not kept.

Sincerely,



Editor/Publisher