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Dear Client:

**The end is near – for an Austin City Council that believes the “the city ends three miles from City Hall,” according to one critic. A citizens redistricting commission is ready to put a stake in a new plan that will elect members from *all* parts of the city.**

A year ago, Austinites voted to trash the current method of electing the mayor and six city councilmembers – all elected citywide. The current councilmembers were elected with only about 10% of registered voters actually showing up at the polls. **And all members of the current City Council live in a small radius near or in downtown.**

**The new plan, called 10-ONE, will be finally adopted within days.** The 14-member Independent Citizens Redistricting Commission has a year-end deadline, but will probably adopt the plan prior to that time. The first election under 10-ONE will be held November 2014.

Under 10-ONE, councilmembers will be elected from **10 geographic single-member districts**. Each candidate must live within the district boundaries. Only the mayor is elected citywide. In addition to the drastically altered makeup of the Austin City Council, **the November date is another major change.**

Previous council elections have been held in May and have generally resulted in a low turnout of voters. **This gave an advantage to activist groups.** The new November date coincides with the standard General Election, where a bigger ballot will draw more voters.

**Richard Maier**, vice president of homebuilder DR Horton, believes that with 10-ONE “we will have a few councilmembers who believe Austin is more than a city that ends three miles from City Hall. **Perhaps some business-oriented folks will end up on the Council who understand economics and supply and demand.**” In Maier’s homebuilding world more supply equals lower prices and more taxes equal a higher cost of living.

Maier, without divulging specifics, indicated **there are those in the business community who are looking ahead to potential candidates for the election a year from now.** It’ll be a different ballgame simply because Council candidates will only need to appeal to voters in a small geographic area. And it begins with adoption of the boundaries within days.

**For the 2<sup>nd</sup> time in six months, a big front-page headline Thursday touted a rise in poverty in the Austin area suburbs. No question, there has been an increase. But there has also been a dramatic surge in population in those outlying cities.**

When the first report was issued (click on the “archives” button at the top of the page and go to our May 24<sup>th</sup> 2013 edition), we put the report in perspective by quoting two nationally-recognized researchers/demographers, **Joel Kotkin** and **Wendell Cox**, who said “despite the talk about ‘suburban ghettos,’ suburbs have a poverty rate roughly half that of urban centers.”

This holds true for the Austin area where **poverty percentages in suburban cities, in the main, are roughly half that of the city of Austin** – except for San Marcos, where its poverty percentage is actually declining. Kotkin and Cox criticized “our urban-based press corps and cultural elite” who “cheerfully sneer at each new sign of decline” of the suburbs.

**The population surge in the suburban communities in the 5-county metro is likely to continue, for a variety of reasons. But a big reason is the cost of housing compared to rising housing costs inside the city limits of Austin.**

A major part of the cost of housing for the next few years is the diminishing supply of buildable lots. **“This is the tightest we have seen the lot market in over ten years,”** said Independence Title’s **Mark Sprague**. “Austin has 1,000 fewer lots than we had a year ago. With nearly 9,000 housing starts last year and 9,400 this year and only 7,500 lots in the delivery process, **the number of lots will not keep even with demand.**”

“The result of this is higher land, lot and labor prices,” he concluded. So what will be the logical effect of this situation in Austin? “As higher lot pricing results in new home pricing in many areas, we expect some **push-back from the consumer who will be forced to the resale market or *more affordable locations*,**” he said.

So where are the more affordable locations? Sprague calculates there are more than 150,000 entitled undeveloped lots in the five county area. He breaks it down this way: **More than 7,000 in Bastrop County** and more than **7,000 in Buda ... 8,000 in Georgetown ... 4,000 in Hutto ... 5,000 in Kyle ... 8,000+ in Leander ... 6,000 in Pflugerville ... 9,000 in Round Rock ... and 5,800 in San Marcos,** to name a few.

Not only do some of these suburban communities have **more buildable lots than Austin** itself, they are **more affordable** and the **permitting process moves at a quicker pace** in the suburbs.

“Austin homes have become some of the most expensive in the state,” Sprague observed. So the **surge to area suburbs is likely to continue for the foreseeable future.**

**The Formula 1 weekend is in full swing in Austin with all the glamour and glitter that surrounds one of the world's biggest international sporting events. As it unfolds, a couple of sidebar items, though not major news, are worth mentioning.**

The governor of Texas penned a “welcome” to F1 attendees and participants. It appeared in a free 138-page glossy magazine, *F1 Racing*, published by a British company and distributed by the *Austin American-Statesman* Wednesday. Governor **Rick Perry** mentioned two things that caught our attention: 1) **he had nice words about the Austin area** (an area that didn't always vote for him), and 2) **he suggested to the president of Ferrari that he make a name change for a new model.**

“**Austin is a very accepting, vibrant, multicultural community** – that's the core of what the city is and why it is successful,” noted the governor. “**Austin is cosmopolitan and culturally diverse** as a result of the wealth created here over the last decade. **The private sector has invested in the arts**, with a new modern art museum and performing arts center.” He also praised **Travis County** for its work on traffic handling and **UTAustin** for its technology accomplishments.

Now, about the Ferrari name change suggestion. Perry said the Ferrari president, **Luca de Montezemolo**, took his wife for a spin on the automaker's test track in Monza, Italy in a new coupe called the California. Never shy when it comes to touting Texas, Perry said “**Luca, you have a great vehicle here that you want to market, but you have the wrong name on it. California is the past. Texas is the future!** Now, I don't know if they changed the name or not, but I certainly got his attention.”

The other sidebar item that caught our attention was a last-minute effort to find someone to **take over a high-dollar VIP luxury suite** at the Circuit of the America's (COTA) state-of-the-art track. The email we saw was sent just a week ago saying “if you, or someone you know, would be interested in reserving the VIP Ludus Luxury Suite,” then it added: “because of the last-minute cancellation, **I am willing to negotiate on price and bring it down a lot.**”

Don't know how widespread the email was distributed, but it also said: “If you can refer me to a buyer, I am willing to provide a commission.” **The original price on the Ludus F1 Champagne Luxury Suite for this weekend: \$175,000.**

So what do you get for a last-minute discounted price? “**The most luxurious racing perspective in America.** Located at the Start/Finish line, you'll see and hear ALL of the action in Pit Lane. 185 square feet. **Accommodates 24.** Kitchenette. Outdoor terrace. **VIP server and concierge.**” You get the picture.

Just who is Ludus, anyway? **Based in Austin, Ludus Tours provides complete travel, tour and hospitality packages** to the world's premier sporting and cultural events.

**As a general rule, property and home values are higher in the western and northwestern portions of Austin and Travis County. The hills, trees, lakes have a lot to do with that. But a quality school district is also a major factor.**

To some extent, it is a chicken-egg proposition. Higher property and home values bring in **more property tax revenue**. And that helps swell the budgets for school districts, giving them the opportunity to **pay more for teachers and to build better facilities**. **In turn, a great school district makes an area very desirable** – increasing demand that pushes values higher.

The criteria for ranking schools keep changing. But, for almost 10 years, UTAustin researchers have been tracking the **number of high school graduates who go straight to college**. While not the only determinant of a good school district, it is one factor for many parents when deciding where to raise their kids. So how did the local area districts in 2012 compare using this college-ready criterion?

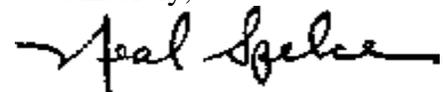
The district encompassing the high-dollar areas of West Lake Hills and environs, **Eanes ISD, topped the list with 85% of its high school grads enrolling in college**. It was followed by **Round Rock ISD with 71% of its graduates going to college** and the district in western Travis County, **Lake Travis ISD, at #3 with 70% of its grads going to college**.

The numbers taper off from there: **Leander ISD 68% ... Pflugerville ISD 59%** ... **Austin ISD 58%** ... **Manor ISD 56%** ... **Hays ISD 54%** ... **Hutto ISD 49%** ... **Bastrop ISD 42%** ... **Del Valle ISD 41%** and **San Marcos ISD 40%**. The overall average was 61%.

Many families without kids also gravitate to the top districts because, even though they pay taxes for a school system they don't use, they realize an **outstanding school district will tend to keep the values of their property at a higher level, especially when they sell**.

**Dr. Louis Overholster** says as long as there are tests, there will be prayer in public schools!

Sincerely,



Editor/Publisher