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Dear Client:

Want a stark contrast between the Silicon Valley of California and the Silicon Hills of Austin? How about this: the *average* price of a Silicon Valley home is more than a million dollars. In the Austin metro, the *average* price is less than \$300,000.

The average price of a single-family home in Santa Clara County has ***topped \$1 million for four straight months***, according to MLSListings, a Sunnyvale-based listing service that released this report a week ago and was reported in the *San Jose Mercury-News*.

The newspaper also reported the only time the average price of a single family home topped \$1 million in the county was in March and April of 2007, **right before the housing crash**. The *median* price, which tracks the middle of the range of sales prices and is not influenced by a few very high or low sales, was slightly lower at \$841,000 for a Santa Clara single-family home in July.

Now, about the Silicon Hills of Austin. According to the Austin Board of Realtors Multiple Listing Service the ***average sales price of a single family home surged slightly past \$300,000 in April 2013***, but quickly dropped below that mark in May and June. The highest ***median price in the Austin area occurred in July, when it hit \$229,900***.

Okay, the **difference is quite dramatic** between Silicon Valley and Silicon Hills averages and medians. But what about pockets in the Austin area? **How high are the highest home prices?**

Not surprising, the priciest homes – by far -- are in **West Austin/West Lake Hills**. **In June, the *average sales price of a single family home* was \$852,597 while the *median sales price* was \$725,000**. So the high-dollar West Austin/West Lake Hills area is getting close to the Silicon Valley area-wide average and median prices. But, look at Southeast Austin where both the average and median prices are below \$200,000. Obviously, home prices run a much wider gamut in Austin.

This stark contrast between the two high tech meccas is one reason many **California companies and individuals are migrating to Central Texas**. Obviously, there are many reasons for such a massive departure to Austin and Texas (can you spell t-a-x-e-s?). But the cost of living, as illustrated by home prices, is a major factor.

Santa Cruz in Silicon Valley is the only California city to crack a national Top Ten list of Best Cities for Job Growth. Austin is #1. But here's an interesting fact about this *Forbes* magazine list: seven of the Top Ten are Texas metros, including the top four. Talk about dominance.

An economic development leader in Santa Cruz was recently **lamenting the fact that the city has spawned a number of start-ups, only to see them move away.** So, jobs are being created there, but the jobs move on. Not true in Austin or in Texas, as a general rule. For instance, *Forbes* points out **“the Austin metro boasts a net migration rate that is the third fastest in the country over the past five years.”**

Other Texas locales, **McAllen (#2), Houston (#3) and Fort Worth (#4)**, joined Austin at the top. **Dallas (#8), Laredo (#9) and Brownsville (#10)** also cracked the Top Ten metros that are predicted to have the greatest job growth in the near future. **Ocala, FL (#5), Santa Cruz (#6) and Salt Lake City (#7)** were the other metros at the top of the 200 largest metros that were analyzed for this study.

Texas dominance was on display in another totally different annual ranking. *Business Facilities* magazine, in its July/August 2013 issue, named the Lone Star State as its **2013 State of the Year** noting Texas **“continued to show dominance across several of our flagship rankings categories, something you would expect from the nation's most dynamic state economy.”**

It's easy to make a claim that Texas has the nation's most dynamic economy (Texas brags?), but, as a Texas old-timer said, “if it's fact, it ain't braggin'.” Here's a hard number fact that backs up such a claim.

There are many facets that make up a dynamic economy. And most of them are taken into account when the **steely-eyed number crunchers at Wall Street ratings firms set their ratings that determine interest rates paid on a state's borrowing capacity.** This is bottom-line, hard-nosed stuff. And the ratings have just been released prior to Texas' \$7.2 billion sale of Tax and Revenue Anticipation Notes (TRANs) August 27th.

Standard & Poor's, Fitch Inc. and Moody's Investor Services have given their highest ratings to this year's TRANs. Standard & Poor's comment was typical: “Texas economic performance continues to significantly outpace the nation's. By almost every significant measure, **the Lone Star State's economy continues to perform better than that of most other large states, and is among the fastest-growing economies in the nation overall.**” High praise after a tough analysis.

Okay, what are TRANs and why are they important? TRANs are annual, one-year notes that are sold to **help fund school payments and manage cash flow** between the start of a fiscal year and the arrival of tax revenue later in the year.

You will have an opportunity to go to the polls to vote directly on how \$2+ billion of state revenue will be spent. The money is already in the bank. It's a matter of authorizing the expenditures or keeping the money in reserve.

The money would be allocated to two important areas: **water projects for a drought-stricken state and transportation funding for rapidly-clogging roadways.** Many feel the need is there, but the question essentially boils down to whether it's smart to take money out of the state's "savings account" for these purposes. And it's a lot of money. You get to decide.

The state's "savings account" is technically called the Economic Stabilization Fund, but it is commonly referred to as the Rainy Day Fund. With all the oil and gas activity in the state, **the Rainy Day Fund is growing by billions of dollars.** When the fund was established years ago, the Texas Legislature set some **tight guidelines on how the money could be tapped.** This is why you get to vote on taking some money out of the "savings account."

There will be plenty of time between now and Election Day for you to get the details on how the money will be allocated. Right now, it's important to give you a heads-up because we're talking about **\$2 billion dollars that will be sucked out of the Rainy Day Fund for water projects, and an estimated \$878 million that would be used to shore up roadway transportation funding.**

Well, if you and other Texas voters approve dipping into the state's savings account for these purposes, **how much money will be left in the Rainy Day Fund?** Good question. And the number is a bit mushy because it is based on *estimated revenue* for the next two years, on top of the dollars that would remain after the draw-down.

Here's how Austin's State Senator, **Kirk Watson**, answers that question: "If the voters approve the water and transportation proposals, **it's estimated the account will have more than \$7 billion in it when the current two-year budget wraps up in 2015.**" So the Fund will not be sucked dry. In fact, it will probably be the largest savings account of any of the 50 states (and many states are running deficits, with no money in a Rainy Day Fund at all).

Now, let's go back to the previous item where you saw that the US bond ratings houses gave Texas their *highest possible ratings*. No doubt the **state's positive balance sheet** – containing billions of dollars in Rainy Day Fund reserves -- played a huge part when they, in effect, **reported no other state had a higher probability of repaying bonding debt.**

By the way, Senator Watson ticked off a number of concerns he had with the transportation funding item (for example, "this proposal includes no money or options for rail"), he still said **"make no mistake: this is a decent proposal, although it's not without real deficiencies. I'll most likely vote for it."**

There's a saying you don't hear much anymore – “see ya in the funny papers.” But a week ago, Austin was mentioned in a *Doonesbury* newspaper comic strip. And it contained both positive and negative references.

The creator and author of *Doonesbury* is **Garry Trudeau**. Most of the time his comic strip leans leftward. In fact because of its political content, the *Austin American-Statesman* moved its placement from the comics page to the Classifieds section and balanced it with right-leaning *Mallard Fillmore*, running side by side. **Both provide biting political satire daily.**

The Austin reference came up in a conversation between a father and son lobbyist team, who represented reviled dictators, **considering whether to take on Texas as a client to aid the state in secession from the US.**

First cartoon panel: **“Pop, there's only one argument against Texas secession – Austin.”**

Second cartoon panel: **“You'd hate to lose the Austin of live music, high tech, UTAustin, SXSW, SoCo and general weirdness.”**

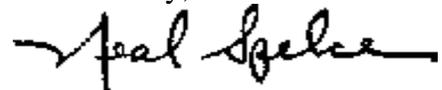
Third cartoon panel: **“But there's also the Austin of Rick Perry and the Texas State Legislature.”**

Fourth cartoon panel: **“Sounds like Cold War Berlin.” “Right. Or Jerusalem without checkpoints.”**

See what I mean. This particular strip ran on page D7 in the Classified Ads section Friday, August 9th 2013. As best we can determine, there didn't seem to be much public reaction to the panel about Austin. What's that other old saying: **“the only bad publicity is no publicity.”**

Dr. Louis Overholster says the more he reads and observes this politics thing, “you've got to admit each party is worse than the other!”

Sincerely,



Editor/Publisher