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Dear Client:

**Effective yesterday, the City of Austin implemented fee increases for all development and permitting-related activities. Okay, so developers are gonna have to pay more money to do what they want to do. Big deal. Yeah, but. This means the price of new already-high residential and commercial buildings will go up.**

And the fee increases cover everything – even the kitchen sink. The increases will apply to all **building permits, trade permits** (plumbing, electrical, mechanical and irrigation), **commercial and residential, site plan and subdivision applications**. That’s not all. Higher fees will apply to **zoning, historic preservation** and special districts such as Municipal Utility Districts (MUDs) and Public Improvement Districts (PIDs).

Let’s break this down to one home. In many instances, **fees “are very costly to the ultimate homebuyer and contribute to the reduction in home affordability,”** said **Richard Maier**, Land Manager in Austin for homebuilder D.R. Horton. And he cites an **actual example of building on a single lot in a central city neighborhood, North Hyde Park**. Here’s how his costs broke out.

**Historic preservation, \$16,226 ... Heritage tree ordinance, \$2,742 ... Impervious cover, \$79,800 ... Storm water pollution protection, \$1,563 ... McMansion ordinance, \$12,500. For a total of \$112,831.** If a builder works on an 18% gross margin (which means all costs are “grossed up” by the margin requirement), **the real cost to the homebuyer was \$137,598.** These costs were *before* the fee increases that were implemented yesterday.

Admittedly, this is a single lot in a highly desirable central city location. It is not part of a from-the-ground-up subdivision where fees are different. But it shows how **fees contribute to the ultimate cost of a home to a willing buyer**. And it shows how **“affordability” is impacted by well-meaning fees** levied by the city.

Maier is not advocating a complete abandonment of regulation: **“many regulations especially with respect to health and safety are absolutely necessary,”** he said. But he argues that some enacted fees use the excuse **“it only adds \$150 to the house price.”** Then he pointed out that this may be the case for a single rule, but **“\$150 or even \$50 quickly adds up to thousands of dollars and has a serious impact on affordability.”**

**Speaking of new regs, new mortgage disclosure rules take effect Saturday October 3, 2015. Austin's red-hot residential real estate market will feel the new regs big-time. Realtors, title companies, lenders, homeowners and homebuyers will be affected. It will probably take several months for it all to shake out, but make no mistake, the impact will be immediate.**

This has been in the works for some time. **We gave you a heads-up in our February 20<sup>th</sup> newsletter.** Originally the regs were to take effect August 1, 2015. But an outcry from the real estate community led the Feds to delay the impact to October 3, 2015. It's now a done deal.

In a nutshell, here's what it's about. For 30+ years, **Federal law required lenders to provide two different disclosure forms to consumers applying for a mortgage, and two different forms at, or shortly before, closing.** Two different agencies developed the forms separately, under two Federal statutes: **the Truth In Lending Act (TILA)** and the **Real Estate Settlement Procedures Act (RESPA)**. The information on these forms was overlapping and confusing.

The Dodd-Frank Act directed the Consumer Financial Protection Bureau (CFPB) to integrate the mortgage loan disclosures. So, **as of October 3rd, there will be only two forms: the Loan Estimate and the Closing Disclosure. Lenders will be required to provide borrowers the Loan Estimate within 3 days after loan application, and the Closing Disclosure three days prior to closing.**

So... what's the problem? For one, procedural. Lenders had to revamp computer systems and make significant changes to the closing process to negate liability issues. But, going forward, the big kicker is that **closings could take several weeks longer to process after the regs take effect.**

Why? The Closing Disclosure has to be in the borrower's hands three days before closing (so the lender must complete loan docs 4 to 5 days before closing), and **there are strict guidelines regarding variances between the Loan Estimate and the Closing Disclosure.**

Any last minute changes made by the borrower *or* seller after the Closing Disclosure has been sent **may require a revised Disclosure be delivered to the borrower, along with an additional 3 day review period.**

Horror stories were bandied about as the regs were written – with claims that the delays would not be limited to just three days. This remains to be seen. But one thing is certain. **Severe penalties can be imposed on the lender if anything goes awry. So most lenders are going to verrrry carefully dot more "i's" and cross more "t's" all along the way.** This could stretch out the process, especially as lenders feel their way during the early months.

And as if cash buyers didn't already have a big advantage, **this really puts the cash buyer in an even better position** if, say, in a multiple offer situation, other buyers are having to wade through the now-changed, likely-slower, mortgage-lending process.

**Update on the oil and gas portion of the Texas economy that provides a significant source of jobs and money to keep state government humming. Not so good.**

For the sixth week in a row, the South Texas Eagle Ford rig count was below 100 – **dropping to 85 last week. This time last year, there were 207.** And low crude oil prices continue.

**The Eagle Ford slowdown masks some amazing developments with positive long-term impact on the Texas economy -- in areas of the state that have languished economically for years.**

We're talking the Gulf Coast, all the way down to the Rio Grande Valley (RGV). Remember, plentiful low-cost natural gas is still being produced. And the supply is expected to last for many decades. As a result, **billions of dollars of investment are being targeted for this part of Texas.** Three Liquefied Natural Gas (LNG) plants have been proposed for the Port of Brownsville area, and others are planned at Corpus Christi, Freeport and Port Arthur.

At the risk of oversimplification, **these projects turn natural gas into liquid in order to fill massive tankers to ship the liquefied gas all over the world** – especially taking advantage of the vastly-expanded Panama Canal. Talk about a positive boost to the Texas economy. And because of RGV's proximity to Northern Mexico, the Port of Brownsville can be expected to play an important role in the cooperative energy policies of the US and Mexico. All good.

**To negotiate Austin's traffic gridlock, the TexasA&M Transportation Institute (TTI) has a formula you can use to measure how much extra time you should allow to ensure your on-time arrival. It's pretty easy: triple the time it would take for you to normally drive that distance.**

Wait a minute. **You mean if it used to take 20 minutes to get to your doctor's office, now you better plan for an hour's driving time?** Yep. TTI's formula has been tested and proven. Its Planning Time Index (PTI) has determined **Austin commutes have not only become longer and more costly, they've also become more unreliable.**

The PTI for the Austin area is more than 3.0. **This simply means it takes you three times the amount of driving time to *more reliably* ensure you will get to that plane departure on time.** If misery loves company, you can take a little solace in the fact that **drivers in Dallas-Fort Worth, El Paso and Houston also have PTI's greater than 3.0,** according to TTI.

How did it get so bad so fast? TexasA&M Real Estate Center states: over the past 40 years, **the state's population has more than doubled, registered vehicles have almost tripled, and the number of miles vehicles travel has more than tripled.** By comparison, the *supply of roadway space* to accommodate that travel demand has *hardly grown at all.*

**After a rocky, and sometimes combative start in Austin, Uber and Lyft are fast becoming transportation choices that are changing your options for getting from here to there. Flush with investor money and a business plan that empowers local opportunists who want a little more money in their jeans, it is full speed ahead for these tech-powered travel options.**

The entrenched taxicab companies have fought against the encroachment of Uber and Lyft into their territory. **The battleground has been the Austin City Council chambers, and with local governments all across the US.** The governments regulate public transportation, setting standards and, in many cases, deciding who can/cannot provide rides. **But the old models are being tossed aside by the tech-savvy ride-sharing alternatives.** In fact, banks in notoriously taxicab-heavy New York City are now more reluctant to finance those who operate taxis.

Uber is not content just to expand its *basic* service. **It is differentiating itself from the cab industry, by offering customizable services.** Concerned about holding an event where alcohol liability could be a problem? Weddings or company parties? Want to eliminate parking hassles? Maybe just do something special for your guests? Uber is rolling out UberEvents with all that in mind.

This is the way it works in the Beta version that is limited right now to San Francisco. Users create an event at Uber.com. **They will receive guest passes via email to send to their guests. The guests receive a free ride.** Simple and seamless, at the touch of a button.

The Uber and Lyft phenomenon is getting caught up in left-right political squabbles. Democratic presidential candidate **Hillary Clinton** criticized the ride-sharing business model saying independent contractors who have flexible hours might still be **getting a raw deal when it comes to worker protection and benefits.** Columnist **Rich Lowry** countered: “The ride-sharing service is synonymous with **the new efficiency and convenience enabled by information technology**, and is anathema to regulators and entrenched interests everywhere.”

Speaking of technology, **Dr. Louis Overholster** let his sexist side show when he said Google is a woman – because it won’t let you finish a sentence without coming up with other suggestions!

Sincerely,



Editor/Publisher