The NEAL SPELCE AUSTIN LETTER

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Dear Client:

If the November election for Travis County Sheriff turns out the way it is predicted, **Austin could become the first illegal immigrant** "**Sanctuary City**" **in Texas – which will likely trigger action in January at the Texas Legislature**. **Here's a heads-up on what's at stake**.

The situation came into clearer focus this past week when Sheriff **Greg Hamilton**, a Democrat who is not seeking re-election, was part of a panel discussion at the Texas Tribune Festival. Right now, **US Immigration and Customs Enforcement** (**ICE**) **visits the Travis County Jail twice a day to take illegal immigrants out of jail and place them under ICE's control**. Hamilton said his deputies do not ask anybody's immigration status – that's ICE's job. This could change in January when Hamilton's successor takes over as sheriff.

> **The odds-on favorite to succeed Hamilton is Constable Sally Hernandez**, a Democrat. Her opponent is Republican **Joe Martinez**. Hernandez has told reporters all along that **she doesn't think you solve the criminal justice problem by deporting immigrants who are here illegally**. This is a stance taken by certain cities in California (such as San Francisco) that led them to be labelled Sanctuary Cities -- where **undocumented immigrants are released to city streets after they serve whatever jail time led to their original arrest**.

> On the other hand, Sheriff Hamilton has faced criticism for turning inmates over to ICE for deportation. Hamilton said "**I have taken a lot of heat**, **but I have a moral compass**. **I think we're keeping the community safe**." He further said for the next sheriff not to turn over immigrants to ICE is "a dangerous move … ICE has a job to do and I think their job is very important. **If you're not following the laws of immigration**, **then what other laws are you disregarding**?"

This is an argument the Texas Legislature may take under consideration when it **gears up in Austin in January** (**just as the new Sheriff takes office**) **to pass a bill banning sanctuary city policies**. Need we remind you the Texas House and Senate will be controlled by Republicans? The governor, lieutenant governor and speaker of the House are all Republicans. And, the GOP has long taken a tough stance against immigrants who are in the US illegally. It's a bit risky to predict an election or a particular bill's passage. But when the Texas Legislature convenes, **those GOP members may only have to look a few blocks away at the Travis County Courthouse Jail for a prime example of Texas only Sanctuary City**.

If you been following the back-and-forth of the presidential campaign, **you have been bombarded daily with polling data**, **some of it contradictory**. **But one methodology they have in common could be a fatal flaw in this unusual year**. **Let's analyze why some of the biggest polling organizations could be relying on a less-than-complete picture**.

For decades, pollsters have gauged opinions from lists of registered voters. After all, they reasoned, **if you're not registered you are not likely to vote**. So they don't talk to those disinterested citizens. Fair enough. Major polling companies break down those being polled into two categories – "registered" voters and "likely" registered voters. **The "likely" category is generally considered to be the most respected**, **because people polled are those who have voted in previous elections**. And therein lies a potential flaw in election analysis this cycle.

We can't find scientific data to back up this assertion, but election experience guides us to believe there are **many first time unregistered voters** (**or citizens that rarely vote**) **who are being energized by the non-traditional candidacy of the non-politician Donald Trump**. This type of voter will not show up on lists of registered "likely voters" normally used by polling organizations.

If this is in fact an accurate assessment, and you look at the thousands who show up at Trump rallies, **the polls you read and hear about almost daily may not reflect the full extent of those who may ultimately go register and vote for Trump**. Despite media fascination with polling results, we have yet to see this sort of analysis reported. Keep an eye on this.

Looking at Austin voting in the November 8ᵗʰ election, **the** $720 million transportation bond proposition is shaping up to be a stem-winder. **Mayor Steve Adler is going all-out, and the opposition is off-and-running**. **Here's how you can tell it could be a humdinger**.

Just this week, the mayor took the unusual step to tout in advance he was going to "**correct the record**" **with back-to-back speeches taking on critics of the bond proposition**. **Adler is deeply and personally invested in this effort**. He pushed for the large amount and then doggedly got the Austin City Council (representing very disparate interests) behind it. He also has lined up influential support groups such as Austin Board of Realtors, the Chamber, etc.

It appears the opposition, **that successfully defeated other mobility bond issues**, **is cranking up big-time** (it certainly triggered the mayor's head-on assault this week). And, the first *signs* – literally – have started appearing. You may recall the opposition killed a previous bond effort by stating on its three-by-five foot signs: "Vote No. Costs Too Much. Does Too Little." They appear to be following a similar template with their current signage reading: "**Vote No**. **Dishonest**. **Deceptive**. **Destructive**." Battle lines are drawn. (The City has more details about the Mobility Bond Proposition on a new website: www.AustinTexas.gov/2016Bond.)

A noted nationally-recognized California-based real estate consultant's analysis states Austin, Dallas, the Bay Area and Seattle "are currently some of the strongest and most profitable markets in the country." **This consultant, John Burns, helps clients decide when and where to place their residential real estate investment chips**.

Breaking down nationwide markets, **John Burns Real Estate Consulting** uses five phases to describe each US housing market. **The highest/best is labelled** "**Exuberance**," **where Austin stands among the top**. (The others: Cycle Bottom/Early Recovery … Expansion … Contraction/Early Downturn … Full Downturn/Recession). He predicts the three markets listed in the opening paragraph, along with Austin, "**could very well remain** (**strong and profitable**) **for quite some time, especially if rates stay low and tech avoids a major correction**."

About us? "Home values in both Austin and Dallas barely budged during the Great Recession, falling a modest 3%," Burns reports to his clients. "**Since then, prices have been on a tear, rising almost 50**%. **Job growth has also been phenomenal, with Dallas and Austin now processing roughly 20% and 30% more jobs than during their prior peaks**. Higher-paying jobs in tech, health care, and construction have driven this increase."

So, where are we now in the real estate cycle? Independence Title's **Mark Sprague** likes to point out "**the previous longest positive cycle in Texas lasted 6.5 years. We are at 7.5 years presently**." So what does Burns have to say about this cycle?

Using a 9-inning baseball game as an analogy, the Burns research says "we're pretty close to the 7th-inning stretch. Plenty of innings are left to be played in this recovery." Concerns? "**Along with a possible tech slowdown, our biggest concern** … **is lack of affordability. Already we are beginning to see signs that look eerily familiar to prior boom/bust cycles**." Burns adds "**sky-high home prices have become the norm**."

Burns says the "Exuberance" category (where Austin is ranked) objectively assesses risk/return profiles in the 20 largest home volume markets. So, Burns importantly notes that in Austin: "prices and sales volumes have surged, **and smart money is now investing more cautiously**."

The time has arrived. If you are involved in development, building, zoning, etc., grab your wallet. New fees and fee increases will be implemented by the City of Austin 10/1/16.

As part of the 2016-2017 City of Austin budget that was just adopted by the City Council, if you have business dealings with the Development Services Department, **not only will you be hit with fee increases, you will face new fees**. There are too many of them to list here. Read 'em and weep at www.austintexas.gov/department/fees.

Construction is kicking into high gear on new hotels for downtown Austin. **Yeah**, **yeah**, **so what else is new the skeptics might ask**. **Well, along with the number of new hotels, a new trend is developing**. **Beyond your garden-variety hotels providing guest and meeting rooms, bars and restaurants, two new hotels are coming on the market offering hotel guests a much wider variety of hotel amenities**.

Many already know about the upcoming **Hotel ZaZa** and **Austin Proper Hotel**. Both are being built in conjunction with residences – like the successful "W" and Four Seasons hotels. This allows them to provide cross-over benefits – like hotel room service for residential owners. And for hotel guests, the **combined residential/hotel amenities help satisfy a more diverse clientele with an extensive laundry-like list of offerings**.
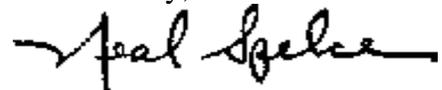
Hotel ZaZa, **400 Lavaca**, **will be partnering with the Gables Republic Square**'s **221 apartments**. Separately-owned ZaZa will have 159 hotel rooms, featuring valet, bar and spa as well as other options. Gables will offer a rooftop amenity area that includes a pool, hot tub, outdoor kitchen, fireplace, club room, library and fitness center. So, apartment dwellers and hotel guests both benefit.

Austin Proper Hotel and Residences is a one-owner, **larger 33-story tower**. The Residences are condos, ranging in price from $600,000 to $3 million, with penthouses starting at $3.4 million. Not only will the Hotel (244 rooms) offer luxury services and amenities, but the project will include office and retail. It includes a pedestrian area on the site of the former Green Water Treatment Plant.

Both feature sub-grade parking and while not totally unique in Austin, they represent a bit of an **escalation in the** "**bigger**, **better**, **and more**" **categories**. Austin Proper is shooting for a 2018 opening and Hotel ZaZa is targeting an early 2019 completion.

Dr. **Louis Overholster** says he's finally figured out why adults always ask little kids what they want to be when they grow up: "They're looking for ideas!"

Sincerely,

Editor/Publisher