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Dear Client:

This week, Austin/Travis County surged front-and-center in the sea change of this nation's governance tsunami – and it may get more turbulent day by day. The nastiness over Sheriff Sally Hernandez' defiance of some US immigration policies quickly escalated exponentially. Congressman Lloyd Doggett and County Judge Sarah Eckhardt, both Democrats, sided with the Sheriff against Republican Governor Greg Abbott and the GOP Caucus of the State Senate. As the ole Texan said, you ain't seen nuthin' yet. We'll tell you why.

Let's cut to the chase. **If the new Sheriff doesn't change her defiant immigration stance, it could become even more of a national struggle than it is today.** (How defiant? She even put an 8-minute video on YouTube stating her position). She may feel relatively secure because she was elected by a large margin in this decidedly liberal-leaning area. But, the governor has said he will **withhold \$1.8 million state dollars he controls that go to Travis County.** And that's not all. He has threatened to ask the GOP-dominated legislature to **seek new laws to remove Texas sheriffs** if they do not fully cooperate with federal immigration officials.

Not so fast, said Doggett (who once served on the Texas Supreme Court):
“**Neither Gov. Abbott nor the Legislature have any authority to remove a duly elected sheriff.**” Eckhardt, whose Commissioners Court, controls most of the sheriff's budget, struck a more conciliatory note. While not taking a position, she wrote the governor “**I believe we can be reasonable with one another.**”

At the same time, Senators in the GOP Caucus in the State Senate wrote they “**strongly condemn this lawless 'sanctuary' policy**” and demanded its immediate end. (FYI, the sheriff said her policy would be implemented February 1st.) Three Central Texas GOP Senators, **Dawn Buckingham, Donna Campbell** and **Charles Schwertner** signed the letter. Don't you just know lawyers are grabbing their yellow legal pads and #2 pencils, as we speak.

This kerfuffle is already being reported in much of the national media. And, **even as we hit "send" on this report to you, there will probably be even more significant developments in days to come.** This is the nature of such legal/political push/pull actions.

But, there are many more far-reaching elements that are not yet being discussed. Check out the next item about **how the feds can jump into this local fray. It's a big-time change.**

Hey, Austin and Travis County, “if you harbor illegal aliens and refuse to comply with federal law, you will be stripped of federal grant dollars.” This is the message from Austin GOP Congressman Michael McCaul who is chair of the very powerful US House Homeland Security Committee. This comment can be backed up with the weight of federal prosecution.

This message is out in the open for all to see this week. However, what’s not discussed are **the legal teeth that can chomp down, adding to the financial damage inflicted** on areas in addition to Austin/Travis County, such as **San Francisco, Los Angeles, Seattle, Chicago, Denver, Boston**, etc. that are aggressively, openly defiant of the “sanctuary” legal provisions.

Up to now, the US Attorney General, the US Justice Department and US Attorneys (who can legally prosecute violations) have “chosen” not to enforce the sanctuary provisions. This has occurred under Democrat Attorneys General **Eric Holder** and **Loretta Lynch**. The nominee for Attorney General to head the Justice Department, USSenator **Jeff Sessions**, is **diametrically and philosophically the opposite of what has been in place the last eight years.**

Okay, this is pretty obvious. But what is not all that obvious is *who* will prosecute violators of this new stance: **the US Attorneys in each federal judicial district.** It is likely the new president will ask the current US Attorneys (all Democrats) to submit their resignations, just as Democrat President **Bill Clinton** did.

Who will replace them? The president. Consider that in Texas just this week, conservative USSenators **John Cornyn and Ted Cruz** *jointly* publicly sought applicants for USAttorneys in Texas, with a 2.19.17 deadline. Make no mistake, **these are political appointees and they will prosecute those who are charged with breaking federal law.** The prosecutors answer to the Justice Department.

Think how many times the **Justice Department has been inserted into local legal squabbles** over the past eight years (police investigations, civil rights charges, voting disagreements, etc.). And these are just a few examples. Elections have consequences. Change is here.

Is this a short-lived change? Not likely. A young, strict conservative constitutionalist will be appointed next week to the USSupreme Court. But more than that, **the balance of power in the USSenate is most likely to become more pronounced in favor of the current GOP dominance, when the next elections are held 11.6.18.** Why? Do the math. Next year, 33 of the 100 Senate seats will be filled for 6-year terms running until January 3, 2025. **Twenty-five of those seats caucus with the Democrats and only 8 Republican seats will be up for grabs.**

Finally, consider: **the Democratic Party is in the worst shape state-by-state since the 1920s.** The GOP controls 69 of 99 state legislative chambers and 33 of 50 governorships. Put it another way: **the GOP has total control of executive and legislative branches (like in Texas) in 25 states and partial control in 20 states. Democrats have total control in only 5 states.** The GOP muscle-flexing in the Austin area is indicative of the changing US landscape.

Evaluating the Austin area's economic growth, looking back and looking forward is looking good. The USCensus Bureau pointed out the Austin area ranked #2 for large metros over the past five years. Okay, what about the *next* five years? A longtime Texas economist this week ranked Austin and the other Texas metros over that time span. Austin is #1.

“We are forecasting that the greater Austin area will continue to lead the way, with several other major cities also outpacing the statewide rate of growth,” predicts **Ray Perryman**. He points out the Austin metro “has been experiencing notable job growth across almost all industrial sectors, though manufacturing remains down on an annual basis.” He underscores the area’s jobless rate is significantly better than the state and nation.

Looking ahead, Perryman forecasts that “about 131,400 jobs are projected to be added” over the next five years “**while population expands by an estimated 214,400 to reach more than 2.2 million by 2021.**” Pretty robust prediction. In fact, Perryman says the state’s “**outlook for the next five years is relatively positive.**” But, he laid out a few caveats, such as actions that might be taken within the next few months by the Texas Legislature, or changes in the state of Texas’ energy industry and the overall national economy.

The sale of Austin area homes continues to be robust when compared to other markets. In fact, the Austin Board of Realtors this month reported 2016 was another record-breaking year for home sales. The total represented a 3.9% increase from 2015. This is impressive because it represents the total number of homes sold (not the ever-increasing sales prices). But it is really getting difficult for the first-time homebuyer – especially when you consider the amount of a down payment for a mortgage in relation to income.

By definition, a first-time homebuyer in Austin is likely to be already paying high rents, making it hard to set aside cash for a down payment for a new home. A new report from the real estate site Zillow says **Austin residents making the area’s median salary, must save 82% of their annual salary just to come up with the 20% downie to cover the median home price.**

Here are Zillow’s numbers. **The median Austin area home price is \$259,800. Twenty percent of that is \$51,960. The median salary for Austin workers is \$63,389 – thus 82%.**

How does Austin compare nationally? Not good. The national average of the 34 cities Zillow examined required 67% of a median salary for a down payment. Only 3 cities – Indianapolis, Pittsburgh and Kansas City, Mo – dropped below 50%. **Houstonians needed 57%, San Antonio residents, 56% and Dallas-Ft. Worth buyers 64%.**

Hey, it could be worse. Using the same metrics Zillow said **many Californians are faced with 111%-182% of their salaries. New Yorkers need 114%** of their income for a down payment.

Want a feel-good Austin story? Here's one from our personal experience. It evolved over a few years, culminating in a happenstance meeting over a burger and fries this week. It involves a homeless woman named Emily, a fast-growing Austin business and a homegrown successful charitable organization. Here's how it unfolded.

For several years, **Emily shuffled and limped alongside the Loop 360 northbound frontage road** where it intersects with Bee Cave Road. This is the intersection where a gardening shop had pink flamingos dotting the lawn. The site later became the location for Hat Creek Burgers. **Even though she appeared to be around retirement age, Emily was there every day rain or shine, all day**, mostly seven days a week, carrying a crumpled cardboard sign seeking a donation. Her tee shirt was clean, her hair was sun-bleached and she smiled a lot at those of us who stopped at the light, even though donations seemed few and far between.

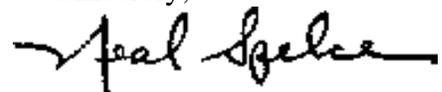
Then one day, a few weeks ago, Emily was not there. And she never showed up again. She was a daily fixture, unlike many homeless folks who come and go at various intersections around town. Those who admired her hard-working dedication (even though some called it free-loading), wondered about her fate.

Fast forward to this week. While scanning the sports pages over a burger at the Hat Creek location at 5400 Burnet Road, **we looked up at a smiling face asking if she could bus our table. It was Emily.** She was wearing the Hat Creek hat/shirt/apron uniform. And she never stopped moving/limping from table to table, picking up trash, crumbs and sweeping under the tables. She was a hard-working, and happy, employee.

When asked, manager **Gabe Almaguer** said yes, Hat Creek had noted her steady work ethic. She was hired three weeks ago. He said Emily now lives at **Alan Graham's** Mobile Loaves and Fishes community for the homeless. "Hats Off" to those who helped change a life!

Dr. Louis Overholster's aging patient started out sounding optimistic when he said "everything's starting to click for me" then added, "my knees, my elbows, my neck ...!"

Sincerely,



Editor/Publisher