



Volume 39, Number 33

November 17, 2017

Dear Client:

The unprecedented housing crisis in California is worsening. And, there is a genuine grass roots uprising gaining strength there to combat rising costs and lack of affordable living units. In fact, more than \$1 million has been raised to change California regs they feel are contributing to the crisis. At the same time, Central Texas home sales were up 2.2% in October. The local median sales price increased 4.3%. Same song, umpteenth verse. Is Austin heading down the same path that is hammering California?

We wrote in detail about the beginnings of this California housing uprising four months ago (click “Archives” for the 7.21.17 edition). The effort was generally composed of **left-leaning leaders going against left-leaning state and city governments that installed restrictive development regs**. Now it has expanded, and it has picked up steam.

The YIMBY’s are a network of pro-development “Yes-in-my-backyard” organizations. **They are fighting the sentiment against building more homes in existing neighborhoods.**

They are led by millennials, who have been frozen out of the housing market and slammed by California’s skyrocketing rents. And now, tech companies are funding the effort.

YIMBY’s do *not* buy into the theory that an influx of new **well-paid tech workers and other young people moving into a booming area are the main culprits** for runaway housing costs and the displacement of working class residents.

They argue that a shortage of housing is primarily the problem – namely zoning restrictions keeping apartments out of single-family home neighborhoods, or dis-allowing granny flats on lots, etc.

Austin is nowhere near the dire straits Californians find themselves in today. But, **concerning signs are emerging – such as sales *inside* Austin’s city limits *dropped* 1.7% in October, as the median price *jumped* almost 10%**. So far, we’ve seen no signs of YIMBY moves in the Austin area. But, the City is in the midst of its years-long effort to re-write its land development code. It is called CodeNEXT. It’s controversial so far, and likely to continue that way. But, its work is vital to the area’s growth plans. Stay tuned.

As far as Austin area apartments are concerned, “the local apartment market reflects a pattern of diminishing returns that has lasted for the past two years,” according to market tracker Robin Davis in her quarterly multi-family trend report. In the third quarter, occupancy struggled to maintain the status quo and “annual rents crashed during the quarter,” she reported. So, what’s the outlook?

“The fourth quarter is likely to be challenged due to the extensive number of new unit deliveries from delays that will enter the market during the seasonally slow period,” Davis reports. Further, she notes **“the Austin area is not expected to experience the heights in growth seen in the past, but interest among developers and investors alike remain.”**

Austin has been without a permanent City Manager for more than a year now. The secretive selection process appeared to be nearing an end recently, when the Mayor and Austin City Council privately interviewed eight or nine candidates behind closed doors. But.

One of those candidates reportedly dropped out, so the city consultants asked to take more time. **No public announcement has yet been made about when the list will be narrowed.** You think a new Austin City Manager will be named by year-end? Flip a coin.

Austin city staff working on a plan for public restrooms in the downtown area better check out San Diego’s experience before making a recommendation. The oceanside California city spent \$2 million (that’s right) for one aesthetically-pleasing restroom on its signature waterfront. It got high marks as a work of art. Now it’s being questioned.

Why? **Because a hepatitis A outbreak has killed 20 people and sickened more than 500 others.** The liver infection is spread because of unsanitary conditions, particularly among San Diego’s homeless population, which lacks access to proper facilities. **The city was warned repeatedly that human waste on city streets was a problem threatening public health,** and that there was a shortage of 24-hour public restrooms available to the growing homeless population downtown.

As a result, **some are questioning whether the city’s priority should have been *more* downtown restrooms – not more stylish ones.** Ya think?

One of three Commissioners who regulate the Texas oil and gas business spoke to the Texas Oil and Gas Association Energy Summit in Corpus Christi this week. Railroad Commissioner Wayne Christian’s prediction: “Texas is on the brink of the next oil and gas boom.”

Once upon a time when business groups compiled lists of best/worst Texas legislators, the “best” were generally conservative (Republicans), and the “worst” were generally liberal (Democrats). But the times, they are a-changing. This past legislative session saw a big public divide inside political parties when it came to so-called business issues. A Democrat topped the list with a perfect score on the Texas Association of Business (TAB) scorecard, and a Republican was dead last in the TAB ranking.

The legislative sessions could have been more business friendly, admitted TAB’s CEO **Jeff Moseley**, though overall he claimed success in keeping “a lot of bad ideas” from passage. Translation: **TAB fought aggressively and successfully against the social-conservative, GOP-backed “bathroom” bill championed by Republican Lt.Gov. Dan Patrick.**

You’ll recall the failed bathroom bill would have required transgender people to use public bathrooms that matched their birth certificate’s gender. Since this **Senate-passed measure never came to a vote on the House floor** (thanks in large part to Republican Speaker **Joe Straus**’ opposition), the TAB did not factor this into its score calculations for House members.

As a result of this brouhaha, the legislator who scored 100% on the TAB’s “best” list was Democrat Rep **Oscar Longoria**. Republican Rep **Jonathan Stickland** ranked lowest with a 41% TAB grade.

Here’s how TAB scored your Central Texas legislative delegation on business-friendly issues. First the Senators: **R-Dawn Buckingham, 80%** ... **R-Charles Schwertner, 73%** ... **D-Judith Zaffirini, 73%** ... **D-Kirk Watson, 67%** and **R-Donna Campbell, 67%**. Now, the House members: **R-Paul Workman, 94%** ... **R-Jason Isaac, 82%** ... **R-Tony Dale, 82%** ... **R-Larry Gonzales, 80%** ... **D-Donna Howard, 59%** ... **D-Celia Israel, 59%** ... **D-Eddie Rodriguez, 59%** ... **D-Gina Hinojosa, 53%** and **D-Dawanna Dukes, 44%**.

The tax cut/reform discussion in Washington is heating up almost daily. One of the big push-backs is whether local taxes can continue to be deducted before paying federal income tax. New York and California are screaming the loudest because they have some of the highest local taxes -- and they love those deductions. However, low/no tax states such as Texas are “penalized” because they cannot count such deductions. Plus, Texans also pay a lot in federal income taxes. So do federal grants back to the state balance this out? Nope. Not nearly.

State Comptroller **Glenn Hegar** reports Texans sent the federal government \$261 billion in taxes in 2016. How much has the state government received in federal grants in return? **Would you believe only about \$39.5 billion or 15% of the total federal tax tab comes to Texas from Washington.** Hegar said the grants are appreciated as they go to pay for programs in education, health care, infrastructure, etc. **But, only 15% comes back to Texas? C’mon!**

Another bullet train in Texas? The third one? Last week, we told you about plans for a publicly-funded Oklahoma City to South Texas route that would include Austin. For some time now, we've reported on progress for a *privately*-funded high speed rail from Dallas-Fort Worth to Houston, with future expansion possibly including Austin. Now, it appears a third bullet train route is gaining a head of steam, this one zipping between Fort Worth and Dallas.

High speed rail takes a long time to develop into a workable transportation operation. **So we're not talking about options that will be zipping around the Lone Star State anytime soon. But, hey, they have to start at some point somewhere.** So, now we have three of them in various early stages. And, the third, if successful, could be available first.

The Fort Worth City Council has given the go-ahead to city officials to move forward in establishing a Local Government Corporation (LGC) to work with Dallas on a high-speed rail line. The *Fort Worth Star-Telegram* and the *Dallas Morning News* also report Dallas could take similar action early next year.

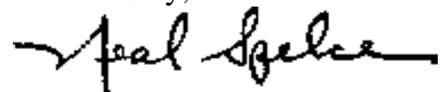
It would be a 30-to-40 mile rail line, depending upon the route and whether additional Metroplex cities, such as Arlington and Grand Prairie, opt to join the LGC effort. The LGC will serve as the governing body of high speed rail, from its creation to actual construction, according to the *Star-Telegram*.

With so many governmental entities involved, it is a complicated process. But, Fort Worth officials (perhaps too optimistically) said the earliest the train would be a reality is 2023.

A small airline, ViaAir, said "we hope to be known as Austin's hometown airline" when it announced non-stop service this week to Oklahoma City and Tucson. It earlier said it will start non-stop service to Steamboat Springs, Colorado. We'll watch this for you.

Dr. Louis Overholster didn't make it to the gym today. This makes five years in a row!

Sincerely,



Editor/Publisher