

Canal delay gives room to maneuver

Panama project's change means Houston port will push back dredging

By Kiah Collier

HC The Port of Houston Authority has bumped two major dredging projects into its next budget cycle and says it will hold off on developing a private line of credit to finance other capital projects, as completion of the Panama Canal expansion has been delayed. That \$5.2 billion project, which will triple the canal's capacity by adding a third set

of locks, was originally pegged for completion in 2014 but now is not expected to be ready for commercial transits until mid-2015.

The authority plans to spend \$120 million to \$130 million to dredge the channels that link its container terminals at Bayport and Barbours Cut. They will then match the depth of the 45-foot Houston Ship Channel so the waterways can accommodate the larger ships that will be

able to traverse a wider canal. It has chosen to pay for the projects itself, rather than seek government funding, and says it has enough cash on hand to do so. But that will drain Port Authority reserves, meaning it will need to find a way to finance other capital improvements in the next few years.

"This cost was previously budgeted for 2013, so we anticipated having to raise interest financing in 2012 (primarily in

the form of bank loans, rather than long-term bonds) to cover us" for two to three years, Ray Yi, the port authority's senior director of finance, said in an email.

The authority currently pays all debt on infrastructure projects with bonds backed by Harris County property tax dollars. In 2010, it issued the last of the \$250 million issuance that voters approved in 2007. "We have money in the bank

to pay for those projects, but we want to do that as the market demands and we're watching the Panama Canal right now — when they're going to be open," said Leonard Waterworth, the authority's executive director. "I do not want to take on a line of credit too early because we have to pay finance charges."

The authority has estimated it will need to spend \$3 billion on infrastructure investments in the next 15 to 20 years. Liquidity projections presented to port commissioners,

Port continues on B10

Q&A

Keeping the sparkle through the years

President of longtime Houston jewelry store talks trends and more

By David Kaplan

HC Houston Jewelry dates to 1953, when Rex Solomon's grandparents Abe "Honey" and Margaret Donsky opened downtown as Houston Wholesale Jewelers. A full-service jewelry store specializing in diamond and bridal jewelry, Houston Jewelry at 9521 Westheimer will celebrate its 60th anniversary next month.

Solomon has worked at the store since he was 12, first as a runner taking tickets and merchandise to the cashier and, at the same age, selling. His 10-year-old brother, Keith, was also on the floor selling then.

Solomon, now president of the store, is a member of the Texas Jewelers Association board and active in industry affairs. He recently spoke with the Chronicle. Edited excerpts follow.

Q: What is the biggest trend you've seen in the industry?

A: The biggest trend in the last decade is the shift to buying from the public. It's a result of the recession, when there was a huge decline in the demand for luxury goods. Jewelers started buying scrap jewelry from the public, and it's saved countless businesses across the country. Over the past five years, we've bought thousands of karats of melee diamonds, which are small diamonds. Now 60 percent of the time with products in our store, we are either



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Houston Jewelry's Rex Solomon has been an advocate of more oversight of the gold buying trade. "It has been looser than the Wild West," he says. When stolen goods are easily sold, he says, it's bad for the industry.

the manufacturer or we contract out, and we can now sell quality products at a lower cost by lowering the cost of the materials.

Q: What's the largest amount of scrap jewelry you've bought in one day?

A: \$190,000. It was last December. That was a very busy day.

Q: How is business?

A: So far this year, we're off to a good start. In 2012, retail sales were great until the second week of October. There was a definite mood change then. There was a significant amount of

anxiety over the fiscal cliff. Fortunately we're now less susceptible to the boom and bust cycles since we also buy jewelry now.

Q: How does buying from the public make you less susceptible to the economy?

A: Say in one day we buy \$30,000 worth of jewelry. From that, 50 karats of melee may come out of it, and the bulk of it will be gold. It's all about turning that. We pay the public 85 to 95 percent of the market price of spot gold and then sell to a refiner for 97 to 98 percent of the market price. With some of that

gold, we don't sell to the refiners — we pay them to give us back refined gold, which will be remade into jewelry. It's a win-win for the buyer who sells to us or buys from us, and it's a win for us. We're one of the largest individual buyers of scrap jewelry from one location in town.

Q: What's your strategy on marketing and promotion?

A: Sometimes our promotion ideas come somewhat by accident. Seven years ago, I was offered a newspaper ad discount on the day after Christmas, which is usually a bad day for retail. So I came up with "One

day only, 75 percent off all jewelry" sale. My thinking was: We are taxed on what's on hand on Dec. 31, so the less we have, the less taxes we pay. But I figured only a few people would come in, and I took the day off. The store called my parents and they called my brother Keith, an L.A. cinematographer who also makes our commercials. He was here on vacation. He came to my house and banged on my door. We had 500 people at the store that day, and now we get over 1,000 people for that day-after-Christmas sale.

Q: But when you sell at 75 percent off,

does it bother you that you're making such less profit?

A: It's all about cash flow and turning your inventory. You have to detach yourself from your inventory. If not, you'll be a museum.

Q: Why have you been an advocate for more oversight in the gold buying trade?

A: It has been looser than the Wild West. There has been an epidemic of houses being burglarized for jewelry, and these kinds of crimes dampen a healthy jewelry industry. The easiest way to convert stolen gold into money is to sell it 20 minutes later to a gold buyer who asks no questions. But the city of Houston has passed a new ordinance that goes into effect April 1. Gold buyers will be required to obtain information from sellers and submit it electronically. If they don't, they'll be subject to fine or arrest.

Q: How have you been involved?

A: I've spoken to City Council, worked with a state agency, and now I'm working with representatives in the Texas House to get a bill that's good for the industry and protects the public on a statewide level. And the Houston Police Department is using my store as a model. We have a thumbprint scanner, one webcam that takes a picture of the seller and another taking a picture of the product. We have a swiper that scans data off the seller's driver's license. It's all done in a few minutes. If and when someone reports something stolen, the police can find people much faster. We've been doing it voluntarily since January 2011, and there have been no customer objections.

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STATE YOUR CASE

Cancer patient wants housekeeper to inherit car

The information in this column is not intended as legal advice but to provide a general understanding of the law. Readers with legal problems, including those whose questions are addressed here, should consult attorneys for advice on their particular circumstances.

Q: I am a stage 4 terminal cancer patient, and I want to transfer my car (it's paid for) to my housekeeper of over 20 years. Is there any way to do this now, before I die? She doesn't have the money for transfer fees, nor do I. My doctor says I



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have only one month to get this done.

A: You can transfer the car now, but unless

your housekeeper happens to be a close relative (for instance, a parent, child, grandchild or stepchild), the transfer will be subject to a 6.25 percent tax on the value of the car. If you wait to give her the car at death, there's only a \$10 transfer fee. You will incur legal fees, however, if you have to change your will, and it will probably be necessary to probate your

estate to get the car to her. You say she is a "housekeeper," so presumably you have a house that would need to be probated. As such, your estate may not incur any extra expenses when it deals with the car.

If you have no other assets, and the only reason to go through probate is to transfer the car, then it would be best for you to give it to her now rather than at death. Probate could cost more than the car is worth.

You mentioned that your housekeeper has no money to pay the transfer fee. If that's the case, you may want to rethink your

idea altogether. If she can't come up with \$62.50 per \$1,000 of value for your car (in other words, she would need to pay \$32.50 for a \$5,000 car), then how will she be able to pay for the insurance, gas, repairs, registration fees, annual inspections, new tires and other costs that come with car ownership? The transfer fee is a relatively minor expense when compared with all the other costs.

Maybe you can just sell the car and give her cash instead.

You can learn more about transferring your car at txdmv.gov/vehicles/titles/faq.htm.

Q: My life partner intends to leave his home to me in his will, and his family supports his decision. Title to the home and the mortgage are in his name. Are there special procedures that he must follow to get this done?

A: He needs to sign a will that leaves the house to you. The big issue, though, is the mortgage. He could require his estate to pay off the mortgage so that you get the home free and clear. But that only works if his estate has enough cash to make the payment.

Alternatively, he could purchase enough life insurance to pay off the mortgage.

When you get the house, if there is still a mortgage, you will need to pay it off with your own funds or qualify for your own mortgage.

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