



Volume 36, Number 36

November 28, 2014

Dear Client:

Month after month, home prices in the Austin area have been moving upward. The most cited reason is high demand for not-enough homes. But less-noted is that new homes in Austin are being built under new building codes to increase energy efficiency. And many of these requirements add to the cost of the new home.

The City of Austin likes to point out that, yeah, the initial costs may be higher, but think of the hundreds of dollars you will save over time due to energy efficiency. Be that as it may. (But, with ever-increasing utility charges, the savings may not be all that visible. That's a story for another day.) The net effect, however, is that **builders are required to meet the energy code and often that means more costly items are added to a new home that a buyer pays for on the front end.**

Case in point. Significant code amendments now required in single-family home construction include **installation of more efficient windows and increased wall insulation** to enhance the efficiency of the building envelope. This may be well and good. And homebuyers may want this. But the cost of each home goes up.

This is not the end of these changes. **It's part of phasing-in of a net-zero energy plan that was adopted by the Austin City Council.** The changes in the code are to be implemented over time. So far, about three updates to the city's energy code have been completed.

The council-adopted plan requires that **all single-family homes built in the city after 2015 be net-zero energy capable.** What does this mean? It means that with an appropriately-sized **solar photovoltaic system and the increased efficiencies of the home through code amendments,** the home can produce as much electricity as it consumes – or net zero.

The city is proud of this effort. “The homes of the future are being built in Austin today,” said **Richard Morgan,** Austin Energy Green Building and Sustainability Manager. **“It creates real energy savings and a better community now.”**

Add these costs to the **price of dirt to build a house upon, the increasing cost of construction materials and labor,** etc. and you see why it is not solely supply and demand in a hot housing market that is resulting in ever-rising prices of Austin homes.

Make no mistake, the kerfuffle between rideshare services Uber and Lyft is more than a tussle with the Austin cab companies. While all is quiet -- for now -- at the Austin City Council level, recent developments across the nation may impact the local scene.

Let's focus on Uber. **Uber is not some *small* company that let's Austin residents use their own car, via an app, to pick up people who pay for a ride from point A to point B.** Sure that's the way it works. And it has been operating in Austin for some time now, at first illegally. And after contentious City Council hearings, it is now a legal ride-sharing company using Austin's streets.

But Uber is big – and getting bigger. It is telling potential investors that it expects **a gross revenue run rate of more than \$4 billion for 2014.** Let that sink in. Then consider it is telling those same investors its gross run rate is on track **to more than double in 2015 to some \$10 billion.** There's more. The discussed **valuation for their current round of funding is around \$30 billion.**

Nothing wrong with success. In fact, it should be applauded. But its fast growth is bringing increased scrutiny. **And the scrutiny has heated to the point some reports are saying that last week was “a very bad PR week for the startup.”** Because it is subject to governmental regulations (remember, taxicabs are tightly regulated), Uber's actions and comments are creating controversy that could spill over into its Austin operations.

In fact, a Democrat in the USSenate is now weighing-in on various reports. Such as? Well, for one, an Uber executive said the company might **conduct a smear campaign on journalists who write critical stories about Uber.** Another incident surfaced where an Uber employee looked at a **customer's travel history, raising privacy issues.** Uber is well aware of a growing firestorm and in fact has brought former presidential adviser and political guru **David Plouffe** on board to deal with its public affairs.

Months and months of Austin city hall drama -- featuring demonstrations tee-shirts & signs, online activism, days of testimony – finally ended last month with the City Council voting to “legalize” Uber and Lyft. **A number of issues were raised, such as customers being surprised to receive as much as a \$400 ride tab. And insurance coverage.** But tellingly, the two issues mentioned in the previous paragraph were not faced head-on as they have only recently surfaced.

So what will happen to the Austin situation? The Uber/Lyft champion on the Austin City Council **Chris Riley** is leaving, having withdrawn from the runoff following his 2nd place finish. **Austin taxicab companies are still simmering** at what they feel is unfair competition. **Uber/Lyft drivers are passionate** about their new-found income. And the new 10-member City Council will have only one carryover member when it is convened in January. No one really knows what might happen then. It's highly volatile and big money is involved.

The price of oil is going down. While you may be quite happy as you fill up the ole jalopy with gasoline, you may not be so pleased if this downturn impacts Texas tax revenues and, by extension, the economy of Austin.

This is important for a range of reasons. On the positive side, you are **paying less than \$3 a gallon at the pump** (even for the premium stuff, if you pull into the right service station). **This is the first time gasoline prices have been this low since 2010.** On the flip side, those pumping oil out of the ground in Texas are getting concerned about the falling oil prices -- **almost 30% from the peak earlier this year.**

I know, I know, it's hard for some to feel sorry for those who have been making buckets of money during this Texas oil boom. But it is an area of concern. As prices continue their downward spin, **it could impact revenue for Texas and Austin's economy.** (Remember, we reported as recently as our 11.14.14 edition on the impact of oil revenues locally and statewide.)

Right now, oil prices are hovering around \$75-\$76 a barrel. When will drilling for oil slow down? **Prices in the lower \$70s over a period of six months would slow production,** according to Pulitzer Prize-winning oil historian **Daniel Yergin.** No need to sound the alarm just yet. This simply bears watching.

When you return from your Thanksgiving holiday break, you will have the opportunity as early as Monday to vote for a new mayor of Austin. Early voting runs from 12.1.14 to 12.12.14. Runoff election day is 12.16.14.

The Austin City Clerk drew the ballot order and **Mike Martinez** will be first, followed by **Steve Adler.** Seven of the ten new council districts have contests and the Clerk's ballot drawing placed them in the following order: Dist #1, **Lofton, Houston ... #3, Almanza, Renteria ... #4, Pressley, Casar ... #6, Zimmerman, Flannigan ... #7, Boyt, Pool ... #8, Troxclair, Scruggs ... and #10, Gallo, Dealey.**

Two high profile Austin leaders are leaving the civic scene – two leaders who have developed a personal friendship as they have tackled large and small issues. Both Charlie Betts and Lee Leffingwell have been recognized on the eve of their departures.

For the past 17 years, Betts has been the **Exec Director of the Downtown Austin Alliance** and received a **Distinguished Service Award** from the Austin City Council prior to his year-end retirement. **Mayor Leffingwell did not seek re-election** and after his term ends in January, he will become the 31st recipient of the **“Austinite of the Year Award.”**

AUSTIN IN THE REAR VIEW MIRROR: Austin newbies probably grow tired of hearing how great Austin was “back in the day.” And long-term residents sometimes bemoan all the changes. Given that, a local TV station asked “if you could bring back one thing about Austin, what would it be?” It was the Austin Aqua Festival by a huge margin.

KVUE received about a thousand comments and said the voting wasn’t even close: **“overwhelmingly, the Austin Aqua Festival was the #1 thing you would bring back to Austin.”** The Festival ran from 1962 until 1998 and, in many ways, it was the precursor to live music and special events that illuminate Austin’s current reputation.

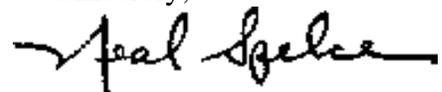
It ran for ten days around the first week in August on Auditorium Shores and Town Lake (now Lady Bird Lake). **For one-dollar, you could buy a plastic “skipper” pin and it gained you admittance for all of the ten nights** of music, food and fun. Each night featured different music – country, rock, Czech, blues, you-name-it.

Civic organizations set up booths manned by their volunteers to peddle food, drink and what-all – with proceeds going to the civic group. Other activities highlighted the Festival: a Miss Austin Aqua Beauty contest, of course ... canoe races ... fishing contests ... **even sports car races on land and drag boat races in Town Lake.** Oh yeah, there was a parade or two. It’s easy to see how it was the genesis for a whole variety of events that have sprung up over the years.

AquaFest was the brainchild of the Austin Chamber of Commerce, helmed by **Vic Mathias.** Among other objectives, AquaFest was designed to offset the then-national perception that **Austin was part of the cactus/sagebrush/desolate image of Texas** and it provided a needed economic boost to the doldrums of August. (FYI, Vic Mathias was recognized for his efforts when the Austin City Council re-named a portion of Auditorium Shores as Vic Mathias Shores.)

Speaking of events, **Dr. Louis Overholster** likes college football so much he feels a school without football is in danger of deteriorating into a medieval study hall!

Sincerely,



Editor/Publisher