



Volume 37, Number 11

June 5, 2015

Dear Client:

“Austin’s Music Culture in Danger of a Permanent Fade” trumpeted the front page headline this week. The article looked at problems facing the city’s music scene. It said Austin “is increasingly becoming unaffordable to the creative class.” What the article *didn’t* say is much of Austin’s “creative class” has ironically been a part of the local music industry problems.

The *Austin American-Statesman’s* probing piece was spread over three pages and written by three reporters. It used a \$45,000 city-commissioned study as the basis for the story. Some of the findings: **musicians can’t afford to live here ... it’s difficult for venues to make ends meet and pay musicians ... and the city’s permitting process is difficult and sound enforcement is inconsistent.** The study also laid out recommendations to address its findings.

For decades Austin has invested heavily promoting itself as the “Live Music Capital of the World.” So the report importantly called into question concerns that should be **addressed on some level if the city decides to continue down this promotional path.** But to broad-brush a music-focused report and **indicate it has application for Austin’s widespread creative community is grossly misleading.**

Austin has a justifiable long-held worldwide reputation for its expansive creative class. In fact, in 1982, futurist and *Megatrends* author **John Naisbitt** singled out Austin as one of the few US cities with a bright future due to its creative class. Urban Studies author **Richard Florida**, who wrote *The Rise of the Creative Class*, has echoed these same sentiments.

All you have to do is look at the **burgeoning tech industry in Austin for examples of creative pursuits at the highest level** (with the development of video games as a shining example). Look at the **creative minds hired at Apple and Google**, to name just a couple of companies. Austin has a **solid advertising community**, creating some of the most compelling ads in the nation.

What makes all this ironic for the music industry, and the concerns raised about affordability, is that the **creative people just referenced are well-paid and their spending habits are doing their part to drive up the cost of living in Austin.** Oh yeah, don’t forget the other creative professions like architects and entrepreneurs (would Whole Foods exist if **John Mackey** were not creative?). Major artists, filmmakers, actors and writers abound. Let’s just don’t let music be the tail that wags the creative dog when we describe the diverse Creative Class in Austin.

It's not too far-fetched to refer to Austin as "Entrepreneurville" (though, admittedly, this is a little awkward). Anecdotally, you probably know a number of Austin entrepreneurs across a wide range of enterprises. (You may be one yourself.) New businesses are springing up regularly. In fact, there is a community of investors encouraging new ideas. All this is true more so in Austin than most other cities. And it's been going-on for years.

Some of this is independent Texas risk-taking – going back to the days of Texas oilfield wildcatters. Some say it is part of the state's DNA. But more than Texas offering a risk-taking environment, **Austin is home to a creative breed of idea-hatchers. A lot of them.** And they possess two essential ingredients of an entrepreneur – initiative and risk.

In fact, just this week, **a respected national foundation that measures entrepreneurship at the national, state and city levels ranked Austin #1.** It's called the Kauffman Index and is produced by the Ewing Marion Kauffman Foundation. **Miami** was #2, **San Jose** #3, **Los Angeles** #4, **Denver** #5, **San Francisco** #6 ... **New York City** #7 ... **Houston** #8 ... **San Antonio** #10 and **Dallas-Fort Worth** #15.

Interesting findings about Austin: nearly eight of ten new entrepreneurs were **employed at the time of their startups ... roughly 555 out of every 100,000 adults became entrepreneurs in a given month during the past five years.** You can find details on this exhaustive study at www.KauffmanIndex.org.

This #1 ranking reinforces the points we made in the previous story about the very **widespread and diverse Creative Class in the Austin area.**

When the Texas Legislature left Austin this week – not to return in regular session until January 2017 – area Realtors and homeowners looked ahead to November 3, 2015. That's when Texas voters will have a chance to vote on banning taxes on the sale of real estate.

The transfer tax ban, as well as a **\$10,000 increase to the homestead exemption**, will appear as one measure on the November ballot. (You'll hear a lot more about this provision before Election Day.) However, Real estate Brokers **won't have to wait for voter approval** in November to have a licensing fee repealed.

By way of background, a **\$200 licensing fee was instituted back in the 1990s** when Brokers were exempted from paying a franchise tax. But in 2006, the franchise tax was revised and several professional groups, including Brokers, were **once again required to pay the tax.** Realizing paying a licensing fee on top of a franchise tax created "**double taxation**," legislators voted to repeal the fee. It is awaiting the governor's signature.

Greg Fenves began his duties this week as UTAustin's 29th president even though he won't be officially inaugurated until September 17, 2015. On that date, he will lay out plans for his presidency in a State of the University address. Until then, he outlined a few broad parameters as the focus of his term (in addition to the sale of beer at football games!).

Fenves, a former Provost and dean of UTAustin's Cockrell School of Engineering, said he will **"build on the successes of recent years while also pursuing excellence in new ways ... (and) work to make UT one of the top public research universities in the world."** He didn't disclose specifics of the "new ways" this week. But here are some of his broad priorities:

"We will continue to be innovative in educating our undergraduate students to be tomorrow's leaders. Students will benefit from new technology in classrooms and labs.

"We will expand the impact of the research and scholarship generated by faculty and students.

"We will create a new healthcare model that combines medical education with comprehensive care and focuses on wellness, not only sickness, with the opening of the Dell Medical School a year from now.

"And we will transform lives by sharing UT's unique resources with the state, nation and the world."

Fenves added he is "committed to advancing The University of Texas at Austin and leading it to even higher levels." To give you an idea of what he has to work with, here are some interesting **facts about the grads who got their diplomas a couple of weeks ago:**

The majority of the grads this spring were women – outnumbering men by more than 200 ... 6,104 bachelor's degrees, 2,042 master's degrees and 861 doctoral degrees were awarded.

Where did they come from? **Harris (Houston), Travis (Austin) and Dallas counties** sent the most students to this year's graduating class ... **California, Illinois and New York** were the top contributors of out-of-state students ... **China, India and Korea** were the top contributors of foreign students.

Possibly the most interesting statistic: **eight degree recipients were teenagers.**

Now about the sale of beer at sporting events. Fenves, who prefers wine, said he personally favors selling beer at football games because the experiment of **selling beer at basketball games did not pose problems.** But it is not his decision. UTSys Chancellor **Bill McRaven** must recommend the policy and the Board of Regents must approve before it can happen.

Get ready for it. Starting this week, and running for the next four months, your electric bill is going up big time. And it's not just because you will be using more air conditioning in the summer months, it's also because the City of Austin's higher electric rates kick in. Higher rates at the time of higher usage -- no matter how little electricity you use? You heard right.

Austin Energy (AE) this week justified the higher summer rates by saying "it costs Austin Energy more to meet the high energy demand during the hotter months." Even if that's true, AE has also said in the past they want the **higher rates to force you to use less energy. Yet the very smallest user of electricity will also pay more under AE's summer rate structure.**

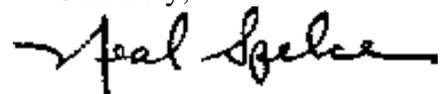
Well, how much higher? Take the residential customer who is inside the City of Austin. (We won't bore you with a deep dive into individual kilowatt-hour (kWh) usage. Just use these numbers for comparison of increases for AE's five tiers of usage). **The very lowest rate – from no usage up to only 500 kWh per month – will increase from 1.8 cents per kWh to 3.3 cents.** See what we mean. The rate for the lowest user of electricity almost doubles.

Here's how the other four tiers of usage increases break down: for 501-1000 kWh of monthly usage, your bill goes up **from 5.6 cents per kWh to 8 cents ...** for 1001-1500 kWh the increase is **from 7.2 cents to 9.1 cents per kWh ...** for 1501 kWh to 2500, the monthly increase is **from 8.4 cents to 11 cents per kWh ...** and more than 2500 kWh per month the increase is **from 9.6 cents to 11.4 cents.** Quite a cost differential.

Check your current residential electric bill. **You'll notice you are charged for electricity at each tier as your usage goes up.** So, it is a cumulative increase the more you use. And the total will probably be very pronounced on your bill because May was a very cool and wet month. Officially, the high summer rates will be charged to you from June 1 through September 30, 2015. The lower winter rates kick back in October 1, 2015.

Dr. Louis Overholster says TV can insult your intelligence, but nothing rubs it in like a computer.

Sincerely,



Editor/Publisher