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Dear Client:

One of the fastest-growing and most-desirable segments of Austin's economy has an extremely bright future – and we're not talking about tech. "The next five to 15 years – and frankly, the rest of our lives – will be fantastic in terms of travel and tourism." This quote comes from no less a leading expert in the business than the president/CEO of Hilton Worldwide. The Austin area is perfectly positioned to ride this economic tsunami.

Austin is recognized worldwide as a favored destination. And the statistics prove it. Click the "Archives" button at the top of our website and go to the 1/29/16 edition for a detailed examination of tourism's enormous impact. Or you can just trust your own eyes. **Check out the hotel construction** that is ongoing as we speak – especially downtown. Or look at the **weekend sidewalk traffic downtown**. Those aren't Austinites wearing fanny-packs.

"It absolutely is the golden age of travel," exclaims the president/CEO of Marriott (who is pouring millions of investment dollars into the Austin area, indicating that Marriott, too, sees Austin as positioned to excel in this important economic segment).

Another hotel magnate, the CEO of Choice Hotels International, points out those investing money in tourism/travel feel the same way: **"We haven't had a shut off from the banks so we're all developing. There's no reason to expect that the next several years shouldn't be pretty positive."**

National demographics support this bright future outlook. **The two generations that are the big travel spenders -- Millennials (see last week's issue) and Baby Boomers -- are attracted to what Austin has to offer.** And, they have the bucks to go wherever they want to go and drop a bundle while there, before returning home.

While Austin is positioned as well as any area in the US to benefit economically from the urge to travel, **smugness should not get in the way of needed action. Example: the Austin City Council will soon vote on whether to expand the Convention Center.** By the way, a new tourism sheriff is in town. **Tom Noonan** has just replaced the longtime head of the Austin Convention and Visitors Bureau, **Bob Lander**, whom we've frequently turned to for info. Look for Noonan to be a source for economic news about Austin travel/tourism in the days ahead.

Austin is a town known for eating out, with a wide-range of award-winning eateries, plus long-time old favorites. Many returning visitors usually head to their favorite eating places upon arrival. And dining out is big part of the local scene, as well as for visitors. So, here's a word that is being bandied about to reflect this experience: "Eatertainment." You're welcome.

A new wave of settlers has arrived in Central Texas – not in the metro area, but in the Hill Country. *The Wall Street Journal* (WSJ) refers to them as "affluent buyers seeking luxury getaways on hundreds of acres. These newcomers are attracted to the remote, rural lifestyle within distance of cosmopolitan cities." And, believe me, Austin is a cosmopolitan city.

If you haven't driven the Hill Country near Austin recently, you'll probably notice that small rural houses are now being replaced with larger, newer and in many cases, architecturally-significant, homes.

The interim executive director of the Hill Country Alliance, **Katherine Romans**, told the *WSJ* many of these new residents **"are buying vast swaths of land and leaving much of it undeveloped as conservation easements.** The purchases ensure the area's rugged rural feel, while entitling the landowners to property-tax breaks." She said she's also noted an increase in the past three to four years.

An Austin land broker told the *WSJ* that dry land lists for as low as **\$4,000/acre**, while scenic properties with water features like lakes, rivers or swimmable creeks, can sell as high as **\$50,000/acre.**

Home sites within an hour or two of Austin are also in demand. He estimates land values in areas like **Dripping Springs**, and smaller communities around **Lake Travis**, have grown by 2% to 3% in the past few years. In **Fredericksburg**, properties spent 122 days on the market in March, down from 194 days two years ago, according to the Texas Association of Realtors.

What about the residences? It's not all cookie-cutter by any means, but one Realtor told the *WSJ* **"Hill Country Modern' aesthetic has gone gangbusters."** This is architecture that **combines modern elements** – walls of glass, industrial railings and angled rooflines – **with local materials**, such as weathered wood, metal roofs and Austin White limestone. Award-winning architects, such as **Lake Flato**, are being hired for some of these high-dollar homes.

Who are these new settlers? Well, they pretty much run the gamut. **Many are building weekend getaways, some with plans to ultimately retire there or pass them along to kids and grandkids.** Some are permanent residents. Many come from nearby Dallas and Houston. Others are from outside Texas. But the one thing they have in common is they come to enjoy the quiet countryside for which the area is known.

Not to worry. Despite the downturn in energy revenues, the State of Texas – for the 2nd consecutive year – will not have to borrow money to meet its cash flow needs, as it did for nearly 30 years. More good news for Austin’s big economic engine: the state’s Rainy Day Fund “savings account” currently contains approximately \$9.66 billion.

You’re excused if you thought it was Air Force One you saw at Austin’s airport Monday. Turns out you were almost right. It was a Boeing 747 aircraft undergoing an operational testing regimen prior to being certified for return to presidential service.

You see, the aircraft was one of two VC-25As assigned to the Presidential Airlift Group stationed at Joint Base Andrews AFB in Maryland. **The VC-25A is commonly known as “Air Force One.” But that radio callsign is reserved exclusively for occasions when the President is aboard.** Not this time. There were no passengers aboard the aircraft doing “touch-and-go’s” as the aircraft was conducting multiple tests as part of its maintenance cycle.

Even though the area’s main reservoirs of drinking water are full – in fact, overflowing in some cases – there is always a need to plan for the worst. Based on the history of the Austin area, another drought always looms on the horizon. So what is Austin Water -- the city’s water utility that just reached the million customer mark – doing about it? Well, for one thing, it is re-using wastewater, even though it is certainly not drinkable.

The official name is “reclaimed” water. **This is the water that flows out of your commode. It’s still water, but, yecch!** So the idea is to “reclaim” this water, but not use it for drinking water. The city is treating this wastewater, called non-potable water – and re-using it for purposes that don’t require the “purity” requirement needed for drinking water.

So, instead of using precious drinking water, the city is using treated wastewater for non-potable uses such as cooling towers, irrigation and industrial use. How is the City doing so far? **Austin claims it is “ahead of most cities in the US in building a system to use reclaimed water.”**

Austin Water had more than 50 miles of mains and pumped 1.2 billion gallons of reclaimed water in 2014. So who is using this reclaimed wastewater? **Customers include UTAustin, BAE Systems, Austin-Bergstrom International Airport and several golf courses and parks.**

The city agency is continuing the expansion of the system with **lines currently being installed in the state capitol complex, extending into downtown Austin.** This activity is part of the construction you experience as you try to navigate the streets in that area.

You're currently living in the midst of a 10+ year weather-related drought. What? No, not a *lack-of-rain* drought from which we recently emerged with heavy deluges and floods. We're talking about an Atlantic Basin *major hurricane drought*. Not since October 24, 2005 has a Category 3 or stronger hurricane made landfall in the US. And there have been 144 consecutive tropical weather events during that time. What gives?

This is the longest streak since at least 1900, according to a study published in the *Bulletin of the American Meteorological Society*. The next longest streaks were only five years (1901-1905 and 1910-1914). **So this hurricane drought is a weather rarity. But when you examine it more closely, it is a matter of arbitrary statistics.** And, it certainly doesn't mean devastating damaging tropical weather events have been absent during the past 10 years.

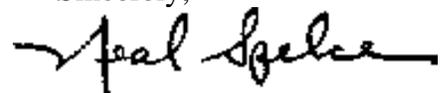
Take Hurricane Ike. It made landfall in Galveston, Texas on September 13, 2008. It contained sustained winds of 110 mph at landfall. Its' wind-speed didn't quite qualify as "major," so it was classified only as a Category 2. Yet it was responsible for \$29.5 billion in damage, making it the third-costliest US hurricane on record. See what we mean by "arbitrary statistics."

There's an even more egregious example – Superstorm Sandy. At landfall in New Jersey on October 29, 2012, its winds were only recorded around 80 mph. But Sandy affected 24 states, including the entire Eastern Seaboard from Maine to Florida. It wasn't just a rain and wind storm. It dumped 2-3 feet of snow inland. **And Sandy was the nation's second-costliest tropical storm (\$71.4 billion in damage),** responsible for 233 deaths.

Maybe it's time to alter the 40-year definition of "major" hurricane to include metrics like storm surge and size of wind field, rather than just wind speed. No one will forget Hurricane Katrina, (the last recorded category 3) that hit New Orleans in 2005. Though far short of a category 5, it was one of the 5 deadliest hurricanes in US history and the nation's costliest natural disaster.

Dr. Louis Overholster warns not to follow the masses because sometimes the "m" is silent!

Sincerely,



Editor/Publisher