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Dear Client:

**In the face of harsh and aggressive criticism, Austin voters marched to the polls Tuesday and overwhelmingly approved the largest bond package in the city's history. With a tax increase attached, yet. Proposition 1 was a hodge-podge of transportation and mobility improvements. So, what conclusions can be drawn?**

First of all, credit for the decisive 59.1% - 40.9% victory should go to **Mayor Steve Adler**, who pushed, cajoled and persuaded his divided City Council to agree to put the \$720 million Proposition on the ballot. That was a tough job at the outset. **Then the mayor lined up major backers who would support the initiative, and importantly, come up with the big bucks to wage the campaign** that was ultimately impressively successful.

The proposition hit at the very core of citizen's concerns – **crowded roadways, congestion and the frustration of every Austinite, whose hands have been on a steering wheel, has felt at some point in time.** And it went beyond that. Those who fervently believe bicycle mobility and pedestrian access are also important were guaranteed a slice of the financial pie.

The opponents raised legitimate concerns. They proposed: 1) instead of one humongous proposition, **break it up so a voter could say yes/no on bikes, roadways, trails, etc.**, and 2) **don't raise taxes.** Also, they were concerned many of the Prop 1 items were for "studies," so **additional dollars will be needed later** to actually make improvements on key roadways etc. Opposition claims included words such as "**dishonest**" and "**deceptive.**"

Supporters of the Proposition **Clarke Heidrick** and **Carl Richie** said "the proposed improvements are designed to **relieve congestion** and increase flow on major corridors, build **pedestrian infrastructure** and create safe routes to school, and **improve some of the worst intersections and roadways in western Austin.**"

The Proposition wording listed names of major roadways all around Austin. But, while it was not hidden, many of the roadways are **simply the subject of "studies"** as a result of passage of Proposition 1. Get ready. It's gonna cost a lot more than was approved this week to *build* the proposed solutions. As Heidrick and Richie put it: "**We know that more is needed – perhaps many billions of dollars more.**" Recognizing passage of the Proposition is a start, they said "**if we do nothing, delays will triple.**"

**The economy of the Austin area got a huge long-term boost this week from the UTSystem Board of Regents. The Board authorized \$100 million to be spent on construction on the UTAustin campus. That's important economically in and of itself. But *what* will be built is even more significant to Austin's future economic growth. UTAustin may be Austin's single most important economic engine. And this move reinforces this assertion.**

The construction project is a planned Energy Engineering Building. (Actually it is bigger than a \$100 million project because an additional **\$50 million in donations – enough to put a donors' name on the building -- and \$10 million from campus reserves will bring the construction cost to \$160 million.**) University officials are banking on the fact this investment will elevate UTAustin to an even higher tier.

This investment is “strategic for the positioning of the Cockrell School of Engineering to **move from its current Top 10 status nationally to the very top of engineering programs nationally,**” the Regents were told. But there's more.

Because engineering is a core element of UTAustin's all-important reputation, the focus on this Energy Engineering Building “will also position the campus for advancement into **the very top tier of public research universities in the United States,**” the university claims.

It's a given: **the world's best tech and energy companies want to be near the best universities -- as they are a source of top graduates available for hire, and they enable collaborative efforts between private and academic sectors.** This move can be huge for the growth of these two major economic sectors in Austin – for many years to come.

**Just down the road from Austin in College Station, TexasA&M is justifiably proud of its engineering program as well as its other highly-ranked programs. And TexasA&M has experienced such explosive student growth, it is now – by far – the largest university in Texas, and one of the biggest in the nation.**

It wasn't that long ago – 2010, as a matter of fact – UTAustin's student enrollment was greater than TexasA&M's – both in the 50,000 range. **Now, TexasA&M's student enrollment is more than 66,000. 66,000! This is the result of an aggressive policy to increase its student population.** And the effort is continuing.

This is in direct contrast with UTAustin's policy of trying to hold down total enrollment. **Instead of pushing for bigger student numbers, it decided to concentrate on helping students graduate earlier.** This allows UTAustin to keep the pipeline for new students open, without straining facilities by massive total enrollment expansion, unlike TexasA&M where the push for higher enrollment is generating a bit of controversy.

**What you may have seen around Austin, or maybe even knew instinctively, has been confirmed by a national report: 60% of all Americans own at least one pet. Have you been aware of the increasing number of dogs -- especially in areas of Austin where Millennials predominate? This not only is a cultural change, it is impacting the world of real estate.**

According to research firm GfK, more and more Millennials are opting for pets versus parenthood. **In fact, Millennials have supplanted Baby Boomers as the largest US pet-owning population.** GlobeSt.com drilled a little deeper into this cultural shift.

“There is a clear understanding that one of the distinguishing characteristics of Millennials is that **they are deferring – relative to previous generations – key decisions such as marriage, starting a family and buying homes.** Pets fill a nurturing and companionship need that otherwise might be met through parenthood and are comparatively affordable and convenient,” said Sunrise Management’s CEO **Joe Greenblatt.**

As far as impact on living units for these Millennials – **amenities from dog parks to pet concierges are cropping up in multifamily facilities** to appeal to the growing number of residents who own pets. **In the case of Austin high rise condos, you have these towers touting sky-high dog parks.** Pet acceptance has become more the norm than the exception.

And in many cases, there is a cost for this amenity. **Pet rent is an accepted practice by local landlords. This helps mitigate the liability and property-damage risks associated with pets.** There are still restrictions on certain pets – so much so, a wide-open policy becomes a marketing tool. One For Rent sign this week read: “Pets Welcome. All breeds allowed.”

**While much emphasis is placed on Austin’s youthful vitality, the metro is among the fastest growing areas for people aged 55-to-64 and – get this – Austin has the 2<sup>nd</sup> fastest growing population of people 65 and over. So Austin just passed an “Age-Friendly” Action Plan.**

In 2012, Austin Mayor **Lee Leffingwell** convened a Task Force on Aging that led to the formation of both AustinUp, a non-profit organization working to **raise the profile of the older population and issues of aging ... and the City of Austin’s Commission on Seniors.**

The Age-Friendly plan is broad in nature and a little short on specifics, but it includes coordinating public sector and non-profit services ... **established businesses and technology entrepreneurs, as well as the arts, culture and education communities.**

This development is important because it pays homage to a **significant part of Austin’s population that is mostly overshadowed by Austin’s “youthful” image.**

**The headline this week screamed: “Austin No. 1 tourist destination in Southwest, No. 2 in U.S.” Wait a minute. Sure Austin is a great tourist magnet. But more so than Hawaii, Miami, San Francisco, New York City? C’mon. The headline was misleading and detracted from an important part of what makes Austin a very attractive tourist spot. Let’s straighten it out.**

This was a first-of-its-kind report by the well-respected company, **J. D. Power**. And it is hard to quibble with its conclusion. But the conclusion was not a report on number of visitors to a destination. **It was a study that determined the *satisfaction* of tourists who visited a city.** Very different. **And in some ways even more significant than a tally of total visitors.**

Why? When a city can exceed travelers’ expectations and leave a positive impression, this has real value. **Austin ranked #1 in *satisfaction* in the Southwest US and #2 in *satisfaction* in the U.S.,** behind only Las Vegas.

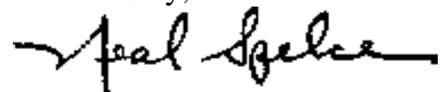
J.D. Power’s Destination Experience Satisfaction Study points out **higher satisfaction scores typically equate to visitors spending more money.** And the visitor is more satisfied with the value they receive for their expenditure.

How much are we talking about? **J. D. Power reports that when visitors have an enjoyable vacation, they spend an average of \$1,446 per vacation -- 24% more than average.** Conversely, visitors spend about \$250 less than average if they’re dissatisfied with their trip.

The investment in creating a superb visitor experience can really pay off – such as more tourism jobs and increased tax revenue. So how did other Texas cities rank in the *satisfaction* survey in the Southwest? **Dallas, San Antonio and Oklahoma City all scored above average while Fort Worth, Houston and Phoenix were below average.**

Thinking about the world of politics, **Dr. Louis Overholster** was reminded of what President Herbert Hoover once said when told he had a new granddaughter: “Thank God she doesn’t have to be confirmed by the Senate!”

Sincerely,



Editor/Publisher