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Dear Client:

For decades Texans have been told that by 2050, more than half of the state's residents will be Hispanic. Only one-third – or even fewer – will be white. One of the challenges is to close gaps in educational achievement between Hispanic students and whites. So, has there been progress in this regard? Ummm ... yeah ... but.

We remember writing population projections more than two decades by **then-Governor George W. Bush's State Demographer Steve Murdock**. He was singing the Hispanic-majority song back then (and probably even before that). And in an appearance before the State Legislature this year, Murdock was repeating the same verses.

He has made it a project to urge the Legislature to recognize this inevitable trend and to do more about it. **He's worried about an uneducated workforce and its resulting impact on the state's economy and social services.** So, Steve, has there been progress?

Start with this: **in 1990, 45% of Hispanics in Texas had high school diplomas and 7% had college degrees.** This compared to whites' 82% with high school diplomas and about 25% with college degrees. **Twenty-five years later, Hispanics with a high school diploma had increased to 62% and to 13% with a college degree.**

Murdock calls it only “moderate” progress. In face of this progress, a Texas education official goes even further with his concerns. **“Unless we accelerate the rate of improvement, we're going to fall further behind even as we get better,”** claims **Raymund Paredes** the Texas Commissioner of Higher Education.

Paredes told the *Texas Observer*: **“The challenges are growing at a much faster rate than we're applying solutions.”** Paredes says the state is applying “arithmetical solutions to geometric problems.”

If Texas continues to close the achievement gap at today's rate, Murdock predicts the state's poverty rate will climb from 18% to 20%. But if “parity” is achieved, he says the percentage of households in poverty will drop to about 12%. **“Unless we reverse the trends we're seeing now, we will be a poorer, less-educated state. That's not a political or philosophical statement, that's just grinding out the numbers. And it certainly is sobering.”**

Speaking of growing populations, a usually-overlooked Texas metro may soon be added to the well-known list that includes Dallas-Fort Worth, Houston, Austin, San Antonio and El Paso. Major economic/growth moves are being made in the Corpus Christi metro – including the announcement this week of a \$10 billion (with a “b”) plant on 1,300 acres near the Gulf Coast.

It’s not just another plant. **It will be the world’s largest ethylene cracker plant**, a joint project of two world petrochemical giants – **Exxon Mobil Chemical Co.** and **Saudi Arabia Basic Industries Corp.** (SABIC). It will be located in the Corpus metro, actually in Portland in San Patricio County, adjacent to Nueces County where Corpus is the county seat.

Okay, before we go any further, what does an ethylene cracker plant do – in plain language? **It will produce 1.8 million tons of ethylene each year.** Yeah, but, what is ethylene used for? The ethylene will be fed to other plants that will create substances that will be **used to make polyester for clothing, bottles and construction materials.** Got it?

The site is critical to the Corpus Christi metro’s economic future. The site has deep water access and a ready-made pipeline (more about these in a minute), as well as railway infrastructure. This was the determining factor over sites under consideration in Victoria and two in Louisiana.

The project is expected to create **600 permanent fulltime jobs, another 11,000 during the five-year construction period** – and pump more than \$50 billion into the local economy during the first six years of operation. There’s more detail, but you get the picture.

This recent development comes after several other actions which we have called to your attention. Already the 5th largest in the US, **the Port of Corpus Christi has been dramatically expanded** to handle increased activity. It is the **closest US port to the newly-expanded Panama Canal**, which makes for better waterway travel to the Far East. We told you recently about a **major pipeline connecting Corpus Christi** with the oil-rich West Texas Permian Basin and the closer Eagle Ford shale play in South Texas.

All this bodes really well economically for the “Sparkling City by the Sea” and metro cities. **The metro area has not been noted for its dynamism in the past.** In fact, the counties of Nueces, San Patricio, Aransas, Kleberg have struggled. For instance, **unemployment percentages in San Patricio County have hovered in the 7%-8% range, more than twice that of Austin.**

What’s next? When will it be operational? It’ll take a while. **Exxon plans to file for permits this month** with the Texas Commission on Environmental Quality. Final approval could take a year. **Construction could run about three years.** But as early as this fall site prep work – road work, utilities, etc. – will begin. **The plant could begin operations as soon as 2021.**

The number of homes sold in the Austin metro declined in March 2017 compared to the same month a year ago, reported the Austin Board of Realtors this week. Not a big drop – just 1.4%. But the price of homes that were sold continued its upward cycle.

The median home sale price in the metropolitan area went up more than 5%, 5.6% to be exact. **The median home price inside Austin's city limits jumped even more, 12.6%.**

It was essentially the same situation in the Central Texas office market. The occupancy rate softened somewhat, but the rental rates rose in the first quarter 2017, according to Xceligent. The total vacancy rate is 9.2% while the weighted average asking rate is \$37.19 per sq.ft.

Jack Tynes, with KW Commercial International, remains bullish saying “The Austin Office Market continues to be one of the strongest markets in the nation.” And he says much of the lease space absorption “continues to come from the booming Austin tech sector.”

Speaking of real estate, the influential Real Estate Council of Austin (RECA) announced a new CEO, Dianne Bangle, is on board effective immediately. RECA is a large broad-based organization that weighs in on all manner of issues related to real estate.

Bangle comes to RECA from UTAustin, where she was Executive Director of Development for the McCombs School of Business. RECA's Board Chair **Nick Moulinet said Bangle has “the wisdom needed to guide us through an increasingly complex regional landscape.”**

Don't know if you noticed the number of nonstop flights at Austin-Bergstrom International Airport (ABIA) has been increasing almost faster than you can keep track of them. Just in the three months since January, fourteen additional nonstop flights have been added at ABIA.

The total number of ABIA nonstops has reached a milestone – 60 overall. Quite a leap forward when you realize that not too many years ago the knock on Austin's air service was summed up with this long-ago stinger: **“When you die, it doesn't matter if you're going to heaven or hell, you will still have to change planes in Dallas.”** Ouch! But no more.

The non-stoppers are not limited to the US. **Nonstop service is available to Toronto, London, Frankfurt and four destinations in Mexico.** And, they are growing in frequency. Take Aeromexico as an example. It started a four-day service between ABIA and Mexico City in November 2016, and has grown to become a daily nonstop route. Another example: Southwest Airlines is adding two nonstop flights in June to bring its total nonstop flight list to 34.

Recently, you may have seen a slight smile of vindication cross our face. UTAustin confirmed a new basketball arena replacing the 40-year-old Frank Erwin Center will likely be built south of the nearby Mike A. Myers Stadium. You see, years ago, we reported the Erwin Center will be torn down because of the new medical school. And UTAustin took us to task.

The announcement of the creation of a new medical school was greeted – justifiably – with great enthusiasm. But, as we try to do each week, we didn't simply report the exciting news, we provided a little **perspective on what Dell Medical School would mean for the area.** And, after writing about the economic and healthcare impact, **we did the “unthinkable.”**

We wrote DellMed would mean the Erwin Center will be demolished. It was a logical conclusion because it was on the other side of the street. But almost immediately, a call came in from a UTAustin representative claiming they made no such announcement about the Erwin Center -- and it was not in the plan.

Well, we pushed back. We said UTAustin always has long-range plans in place. **Could we please see a copy of any plan for the med school's future expansion.** He hemmed and hawed and said those plans are not public.

So we went ahead and ran our **analysis that the Erwin Center was doomed. And we mentioned UTAustin's denial.** Having watched UTAustin's expansion plans for decades, we didn't back down from our logic. As it turned out, when the **2012 campus master plan was finally made public,** there it was: **the land under the Erwin Center would be used for future medical school expansion.**

This didn't show much prescience on our part. It just made sense. And we wanted to share this logic with subscribers. **It's not a big deal.** But we admit, after we were challenged on our assumption, **we do feel a little vindication** as plans move forward to level the Erwin Center.

With the income tax deadline this week, **Dr. Louis Overholster** shared his observation that a fine is a tax for doing wrong. A tax is a fine for doing right.

Sincerely,



Editor/Publisher