



Volume 39, Number 29

October 20, 2017

Dear Client:

When analysts across the USA assess Austin's chances of being selected for the site of Amazon's second headquarters (Amazon HQ2), transportation and affordability issues are almost immediately cited as negatives for the Capitol City. Even those who place Austin at or near the top of the list concede this point. But, what if Amazon were to help the situation -- turning lemons into lemonade? A hint dropped this week indicated there could be something to this -- and could possibly be a game changer in Austin's favor.

The hint was a public comment from **someone who has been involved in the private development of Austin's proposal** to land Amazon's \$5 billion investment, which is anticipated to generate 50,000 new jobs over a couple of decades. The insider who made this public comment will be a **key player in negotiations/approvals**, if Amazon HQ2 names Austin as finalist. **The insider: Austin Mayor Steve Adler.**

Adler's comment was significant. It was well-thought-out. In fact, **it was a comment he submitted in writing, not some off-the-cuff remark. But, it has received very little notice**, probably because it was buried at the very end of a lengthy *Austin American-Statesman* page one story about Austin's bid being officially submitted to Amazon.

Here's Adler's written statement as it appeared in the *Statesman* (pay special attention to the second sentence that we bold-faced for you): "Every city faces its own unique challenges in ways best for that city. If Austin is given the opportunity, however, we should find out **if the scale of Amazon could help us achieve answers to affordability or mobility that are not otherwise available or available as quickly. That would be great**, but as yet we don't have enough information to know the answer." Of course, there's no way to know the answer at this stage. Proposals are presented unilaterally.

Austin's two biggest problems the mayor hears about daily are "affordability" and "mobility." Right now, the naysayers are saying this **would not be good for Austin because Amazon HQ2 would only make a bad situation worse.**

But. *What if Amazon HQ2 could be part of the solution as an infrastructure build-out to meet Amazon's unique needs helps, not hurts, Austin's two biggest problems.* Amazon initially urged prospects to be creative. This would surely qualify. Check the next item for a solution.

Why make such a big deal out of what the *Austin American-Statesman* treated as a seemingly throwaway comment by Mayor Steve Adler, in its lengthy story about Austin's bid for Amazon HQ2? Notable, because details of Austin's bid have been kept very close-to-the-vest. The answer: a careful analysis of Austin's obvious competitive assets, with an added dose of how aggressive economic development processes work. Here's a new, bold scenario.

Amazon justifiably takes a great deal of pride in its role making Seattle one of America's most admired futuristic cities. **Even a cursory look at Amazon's role in the culture and economic life of Seattle reveals how this internet giant impacted Seattle.** And, it certainly has the resources – financial clout being at the top of the list – to be a world-class game changer.

There is no need here to re-count **Austin's obvious, nation-leading advantages that even its competitors acknowledge:** top tech talent, UTAustin, open/diverse city culture that Amazon embraces, dynamic entrepreneurial local economy, quality of life, vibrant international cultural scene (F-1, SXSW), great international airport – not to mention recent investments in the area, such as the Whole Foods acquisition). **All of which make Austin very attractive to future Amazon HQ2 employees.** You get the picture.

Well then, what could be a win-win Austin/Amazon HQ2 situation that Mayor Adler says could **“help us achieve answers to affordability or mobility that are not otherwise available or available as quickly.”** Without knowing what the mayor is thinking -- and with absolutely no inside information -- here is how this might work. Stay with me. This is thinking waaay outside the box. And, it offsets Austin negatives. It's big and it's creative.

Use the *Austin American-Statesman* prime location at Congress Avenue, along the south banks of Lady Bird Lake, packaged with adjacent lakefront property as Amazon HQ2's primary location. The Statesman site is the most desirable, visible piece of property in the vibrant downtown area – and it's for sale.

If this isn't enough (and it's phenomenal by itself), here's what makes it a win-win: Amazon joins with local entities to create **mass transit rail service from the Statesman site through downtown and on to more affordable housing areas ... and east toward the airport encompassing commercial sites as well as areas of more affordable housing.** Amazon loves mass transit.

There you have it. Amazon gets a transportation system tailored to its needs and it helps solve two of Austin's biggest problems. **Amazon has the financial strength to back initial development costs.** Austin gets a mass transit system connecting to more affordable living.

Sure it's a difficult task to make happen. But, there is time. Amazon is talking about not reaching its full build-out plan for two decades. In the meantime, Austin's future economy is insured. **This is big. It's bold. It's complicated. Who knows? It might just work.**

Speaking of jobs, and large employers, the current list of the Austin area's largest employers may surprise you a bit. The names are mostly familiar, but the rankings are what could cause you to scratch your head. For instance, which company has more local employees than Dell? And were you aware that Amazon, currently, has more local employees than its recent acquisition, Whole Foods? Let's take a look at this interesting list.

The *Austin Business Journal* has created quite a niche with its weekly "listings." We're quoting here its compilation of **companies ranked by employees with W-2 status**. (An exception to *ABJ's* ranking this time included **Realtors working as independent contractors for real estate companies**.) So who is #1, ahead of #2 Dell?

The grocery store chain H-E-B has 13,453 employees, followed by Dell with 12,000. The #1 and #2 teams were clear leaders. But, the other companies stood out as well. Take a look:

#3 **Seton Healthcare Family**, 10,297 employees ... #4 **Wal-Mart Stores**, 9,100 ... #5 **St. David's HealthCare**, 9,021 ... #6 **IBM**, 6,000 ... tied with **Apple** ... #8 **NXP**, 4,000 ... #9 **Samsung Austin Semiconductor**, 3,500 ... #10 **Amazon**, 3,350 ... and #11 **Whole Foods Market**, 3,000.

#12 **AT&T**, 2,800 employees ... #13 **Keller Williams Realty**, 2,506 ... #14 **National Instruments**, 2,500 ... #15 **Accenture**, 2,300 ... #16 **Baylor Scott & White Health**, 1,947 ... #17 **Applied Materials**, 1,800 ... and #18 **Charles Schwab**, 1,790.

#19 **Austin Regional Clinic**, 1,716 employees ... #20 **Flex**, 1,600 tied with **General Motors IT Innovation Center** and **Wells Fargo Bank**. #23 **AMD**, 1,593 employees ... #24 **Goodwill Central Texas**, 1,584 ... #25 **HomeAway**, 1,500 tied with **Intel**.

Government entities and school systems are not included on this *ABJ* list, although nonprofit companies are counted.

This should come as no surprise – after all, it seems it has become a habit – that Texas ranks #1 in the US for the best business climate. This is an important business ranking, but it is especially timely as Amazon is currently deciding from an estimated 100 cities around the US for its second headquarters location.

The reason for this timeliness: it's a new survey of corporate executives conducted every three years by **Development Counsellors International**, a respected organization that tracks **trends in economic development**.

Thanksgiving is a little more than a month away, and in addition to everything else you have to look forward to during the holiday period, Austin’s Franklin Barbecue – arguably the most famous barbecue joint in the world – is scheduled to be back in full operation that holiday weekend. Yum!

It was Saturday, August 26th, when a **pre-dawn fire totally destroyed Franklin’s pit room, while damaging other parts of the facility.** (You may remember another calamity, Hurricane Harvey, was slamming into the Texas coast at the same time!). Other parts of the building are about to open, or are already open. But, owner **Aaron Franklin** told *Texas Monthly (TM)* he hopes to have the pit room ready by Thanksgiving.

Franklin’s pit room did not contain just some beat-up old blackened barbecue pits. After all, this is where his food gained its world-wide reputation. **Can you say custom-built, wood-fired rotisserie.** The fire apparently started around 5 am on that Saturday. “That’s about 30 minutes after the turkeys go on,” Franklin told *TM*. The devastation was such that everything in the pit room had to be replaced.

What about his famous brisket? **“We were sitting on 604 cases of brisket, and there are five briskets per case.** A lot of it spoiled – our refrigeration was shut off for a short period,” he explained. The good stuff that remained was sold to other barbecue joints.

While you’re doing the math on the amount of brisket, take a look at the calendar. A full re-opening in less than three months? With city permits? How can that happen? **“I’ve never seen permits go through so fast,”** marveled Franklin. **“Even the electrician was like ‘I’ve never gotten a permit in twenty minutes before. As soon as they saw your name on the computer, they were like, ‘Here ya go!’”**

Guess it’s good to be a world-famous barbecue icon in food-crazy Austin.

Dr. Louis Overholster was accused of being a redneck when he barbecued Spam on a grill.

Sincerely,



Editor/Publisher