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Dear Client:

Apple will likely be the world's first trillion dollar company -- maybe as early as this year. It already has its largest presence in Austin other than at its California headquarters. Apple employs more than 6,500 people in Austin, most housed in a 38-acre complex in northwest Austin. Only its home in Cupertino is bigger. Now Apple, just this week, announced it plans to spend as much as \$30 billion on a second corporate headquarters and for expansion of other work sites in the US. Chickens should not be counted before they are hatched, but no matter what, this is great economic news for Austin.

Austin has been a part of Apple's phenomenal growth. The world's largest consumer electronics company opened its doors in Austin with about 100 people in 1992. **Apple's CEO Tim Cook** just a few months ago described to the *American-Statesman* what Apple workers do in Austin:

"They include customer support, online sales, retail sales, we have our Maps team here, and finance and a huge engineering team that's growing fast. Literally," Cook emphasized, "**many, many pieces of our company are here.**" Its 1.1 million sf Americas Operations Center in Austin **runs many of its corporate functions throughout the northern hemisphere**, according to the *Statesman*.

For these reasons (and, obviously, others) **Austin stands to be maybe the biggest economic gainer of any city in the nation as a result of Apple's newly-announced plans.** Apple has yet to follow-up with more precise details of what it is planning. So, it's a bit early to get more specific. But, you gotta be pleased with Austin's prospects right outta the gate.

Some may think this "will really put Austin on the map" if Apple pumps a healthy chunk of its \$30 billion planned investment into the Austin economy. That thinking is so out-of-date. **Austin IS on the map. Otherwise it wouldn't be in the position it is vis-à-vis Apple. And vis-à-vis Amazon, Facebook and Google, all also with large Austin investments.** These three make up the other parts of the Big Four companies pushing hard to be the world's first trillion dollar company based on valuation (check our story last week).

Oh yeah, Amazon's 2nd headquarters. **Austin just made the long "short list" for Amazon HQ2. This is a big deal. Now it moves to the next step.** Check out the next item.

The national headlines (especially in the business press) are trumpeting Amazon’s Thursday announcement, that it had narrowed the list of 238 city wannabees down to a “short list” of 20 now in the running for its second headquarters location. Austin is on the list for the \$5 billion investment for Amazon HQ2 that could generate as many as 50,000 high-paying jobs over a ten-year period. Let’s drill deep into the what-ifs of this action.

First of all, the obvious. While some of the cities are head-scratchers (Indianapolis?), **most of them are very strong competitors when compared to Austin.** We’ll list all of them in a few minutes. But, a couple of notable examples bear mentioning now. **Dallas was the only other Texas city that made the cut. Houston and El Paso were eliminated, and San Antonio took itself out of the running earlier.** On the legal betting site in Ireland, “Paddy Power,” **Boston joined Austin as co-favorites at 3-to-1 odds, bumping Atlanta down a notch.**

Now let’s examine some of the points not yet part of the national dialogue currently focused on the billions of dollars in incentive some cities are said to be offering. **Details of Austin’s bid have not yet been revealed.** But, in many editions of this newsletter over the past several months, we have drawn some conclusions based upon past experience with big-time economic development bids.

Here’s a fresh tack not yet explored. Let’s analyze the statement issued by the Austin Chamber’s SrVP Communications, **Mike Berman: “We are pleased that the Austin region has advanced to the second round.”** Notice he said Austin *region*. Not city. Then he doubled-down on this in his next sentence. “We look forward to presenting the best of what our *region* has to offer.”

Why could this be important? **The left-leaning Austin City Council has many members who’ve expressed concerns about incentives in general.** The mayor re-iterated “the lens that we are going to use” will focus on “**mobility and affordability.**” And he stressed there would be a “very open and transparent community conversation about Amazon.” Consider past “community conversations” that have been loud and very contentious.

One example. Dell tried to negotiate with the City of Austin for its headquarters site. When Austin balked on incentives, Dell located its prize operations in Round Rock, Williamson County. **Dell agreed to incentives that ultimately inured to the financial benefit of Round Rock and Williamson County, due to Dell’s success.** Dell and its employees today are enjoying all Austin has to offer -- workforce, tech community, education, culture, recreation, etc. Just sayin’.

As promised, here are the 20 cities to be considered for Amazon HQ2: **Atlanta ... Austin ... Boston ... Chicago ... Columbus, Ohio ... Dallas ... Denver ... Indianapolis ... Los Angeles ... Miami ... Montgomery County, Maryland ... Nashville ... Newark, New Jersey ... New York City ... Northern Virginia ... Philadelphia ... Pittsburgh ... Raleigh, North Carolina ... Toronto and Washington DC.** Check the next item for more tidbits.

This is an amazing – possibly pivotal – time in Austin’s economic history. Austin is in the midst of the two biggest economic development projects in the US, featuring two of the market capital leaders of our current time. The final decisions on Apple and Amazon HQ2 will be made this year. It’s a heady exercise to consider the possibilities.

One important element in both these cases is the significant role played by the State of Texas. The advantage of doing business in Texas has been well-chronicled. The Austin area benefits from this environment. **Additionally, Gov Greg Abbott wields a lot of financial power to provide state incentives, over and above any local actions, to lure jobs to Texas.** Believe me, Apple and Amazon are at the top of desirable companies operating in Texas. Other tidbits:

Amazon’s Team of Twelve working on Amazon HQ2 has probably already visited Austin and the others, maybe secretly, as they eliminated 218 locations salivating to be considered.

It’s likely the 20 cities number will be reduced further to make it a more manageable process (and, cynics say, to wring more incentives). And, it’s likely more in-depth site visits and negotiating sessions will occur soon.

No one city likely scored 100 on each item Amazon stated was important. But, as the matrixes were put on spread sheets, Austin and 19 others bubbled to the top. **Now more subjective criteria -- such as compatibility with its corporate culture -- will probably be weighed.** It’s a fascinating process. Now, we wait and see.

Housing availability and affordability are key elements hovering over how the Austin area evolves. Right now, a “more stable market” appears to be settling in, according the Austin Board of Realtors (ABoR) as it released its final 2017 sales analysis. The price points and sales numbers are still on an upward track, but at a slower pace, as 2018 takes off. And, 2018 may contain a new variable – higher mortgage interest rates.

2017 continued a trend where homes sales and prices set new records. **But, the increases were at a slower pace than in preceding years.** And, the trend toward a move to suburban communities in the area set a brisk pace.

For a variety of reasons – fueled by more people moving to the Austin area – the trend lines are expected to continue. But. **Higher mortgage interest rates could be looming in 2018.** Generally, higher interest rates tend to slow activity because it reduces the pool of qualified buyers. But, the knowledge that interest rates may rise, also triggers buyers to move now, rather than wait.

Reduced federal taxes on individuals add another ingredient to consider as 2018 evolves.

Texas will be the first state in the country holding 2018 party primaries to select candidates for the USSenate, USCongress, Governor, other statewide offices and selected local races. How early is this? Can you believe it is just six weeks away? March 6, 2018 is Texas primary election day. And early voting starts just a month from now – February 20, 2018.

Lobbyists are well aware of these dates because candidates have been scarfing up campaign funds from them. **But, the general public is by and large unaware of the looming decision day.** This should change as candidates begin to roll out ads and political positions.

By the way, races for mayor of Austin and for half the members of the 10-member Austin City Council will *not* be on the ballot in March. Though it is sometimes difficult to discern, the city government posts are non-partisan. As a result, the two major political parties have no ballot say in the selection of the candidates.

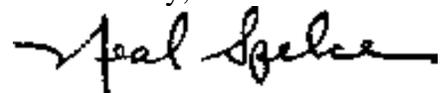
It may be a bit muddled in the public mind because the mayoral/council candidates are already starting to raise money and campaign – at the same time many of the Dems and GOPers are battling each other intra-party to earn a spot in the General Election.

Yeah, but, haven't the council/mayoral races always been in the spring? True, but that changed. When voters recently approved expanding the council to 10-members elected by district with only the mayor elected citywide, the date was moved to coincide with the November General Election. So, you will receive separate ballots for the city government offices when you show up at the polls to vote on the other races mentioned here.

And, no, the 4-year term for US President will not be up for decision-making this November, though it may seem like campaigning for that 2020 office is already in high-gear!

Dr. Louis Overholster believes that a penny saved is government oversight!

Sincerely,



Editor/Publisher