



Volume 40, Number 15

July 13, 2018

Dear Client:

It's difficult to keep tabs on the many organizations, boards and commissions that are actively working, one way or another, to determine what Austin is – and will be in the future. But two relatively new groups, composed of some of this city's most notable heavyweights, deserve your attention. They could have a huge impact on one of the Austin area's most promising future economic underpinnings – healthcare research and start-ups.

It's understandable they are not all that well-known yet. Let's look at the first one, created last year. And it is growing as we speak. **It's a non-profit organization – Capital City Innovation (CCI).** Its purpose is to help coordinate the creation of a healthcare innovation district associated with UT Austin's Dell Medical School (DellMed). **The makeup of CCI's Board of Trustees is what gives CCI its weight and significance.** Consider these influential board members:

Clay Johnston, dean of DellMed ... **Greg Hartman**, president/Academic and External Affairs, Seton Healthcare Network/Ascension Texas ... **Kerry Hall**, Austin Region president of Texas Capital Bank and former chair of the Austin Chamber's economic development entity, Opportunity Austin ... **Stephanie McDonald**, chief of staff at Central Health ... **Dewitt Peart**, president/CEO, Downtown Austin Alliance. Ex officio members are Austin mayor **Steve Adler** and Travis County judge **Sarah Eckhardt**.

The second organization is also a non-profit, created this year to speed-up revenue generation for expansion of ambitious healthcare development plans related to DellMed. Commercial real estate powerhouse **Sandy Gottesman formed 2033 LP, a limited partnership that will generate millions of dollars for Central Health**, the local public agency that connects Travis County low income residents to quality health care.

Gottesman's 2033 LP will serve as UT Austin's development partner in the redevelopment of the multi-acre campus area to support DellMed's clinical and research operations. (Gottesman, by the way, after graduation from UT Austin, cut his civic/business teeth as young aide to Austin civic titan **Lowell Lebermann**, before becoming super successful in Austin's commercial real estate scene.)

Check the next item for a discussion of the problems that led to this unusual move this week.

The original elaborate plans for six blocks at 15th and Red River (adjacent to UT Austin's Dell Medical School and encompassing the now-closed Brackenridge Hospital) are no longer on the drawing board. This is not all. Central Health, the owner of those 14+-acres, is in need of more immediate revenue. Hence the action involving 2033 LP mentioned in the previous item. Let's boil down the situation in simple terms.

With much fanfare last October, Central Health announced a master agreement with a Baltimore-based firm to guide the ambitious project. **Well, it fell apart earlier this year.** And, obviously, no revenue is being generated on this big hunk of prime real estate. **Enter Sandy Gottesman's non-profit limited partnership, 2033 LP,** with a plan to crank out a lot of revenue for Central Health. Here's how the deal works.

Central Health is leasing approximately 2.6 acres of the 14+ acres to 2033 LP, who will then sublease it to UT Austin. It's anticipated that during the first year, maybe starting as early as January 2019, **the lease could generate up to \$6.6 million in upfront payments to Central Health.** This includes \$1.425 million to help pay for health care for people in Travis County with low income.

It's a long term lease – 99 years. With annual escalators, plus a re-set every 15 years, **the ground lease could generate an estimated \$450 million for Central Health.** There is much more nitty-gritty in the deal, but this is the big picture. Still some "i's" to be dotted, but it's on a fast track.

Make no mistake. This represents a stutter-step in the evolution of the much-anticipated healthcare innovation district. Having the original plan for the entire 14+ acres fall apart puts a damper on Austin's quest to become known for its healthcare innovations, in addition to its tech successes. No reason to sugar-coat it.

Well then, what about the grand vision proposed by the big city developer, now that the company has pulled out of the project? **This lease deal appears to be a stop gap.** So far, there has been no announcement of new initiatives.

But, all entities involved appear ready to press on to accomplish the goals of health care research, expanded and innovative clinical care, as well as, continuing medical operations on what is now called the "Downtown Campus," (formerly the "Brackenridge Campus.")

While on the topic of education, it should be noted that H-E-B's Chairman/CEO Charles Butt this week gave \$50 million for scholarships to train Texas public school teachers at UT Austin, Rice, SMU and Texas Tech. He earlier donated \$100 million to establish a leadership institute for public school administrators. It is being located on the shores of Lake Austin and will be called The Holdsworth Center, named in honor of his mother.

At 9 am today, Friday, July 13, 2018, the Pentagon will announce the US Army will locate its Futures Command Center in Austin. This significant new fourth command for the Army will employ as many as 500 innovative people to develop new military technologies with the goal of modernizing the Army. This represents an important diversification of the Austin economy, though Austin's tech talent and academic strengths were key components in the decision.

Bloomberg News broke the story late Thursday on the Futures Command site selection. It has been called the Army's most significant reorganization since 1973. **To further give you an idea of just how big a deal this is, a 4-star general will head up the Austin command center.** To illustrate the import of this, look at the cities that bid for the center:

Atlanta, Chicago, Dallas, Denver, Houston, Los Angeles, New York, San Diego, San Francisco and Seattle really made a push for the Command Center. But, they didn't make the cut to the Final Five. **Boston, Minneapolis, Raleigh and Philadelphia** were in the running until the end, when Austin was selected.

To underscore the importance of UTAustin to this effort, there is a report that the UTSsystem may hold a telephonic Board of Regents meeting about **leasing space to the Army in the spanking new UTSsystem high-rise in downtown Austin.**

As far as Austin talent, the Army said at the outset of its search it was looking for workers in **computer hardware and software, electronics, mechanical systems, chemistry and biomedicine.** Bingo! Austin's workforce nailed this requirement.

Speaking of high level talent, for the first time ever, a new innovative USCensus Bureau report provided a big picture of how specific university degrees impact earnings of its graduates. And, the UTSsystem institutions were the first to be studied by the Census Bureau for the new report. It was released just this week, and it puts a dollars-and-cents value on specific degrees. Let's look initially at first-year median earnings from UTAustin.

According to an analysis by the Austin Chamber's VP/Research **Beverly Kerr**, first year median earnings for a graduate with a bachelor's degree from UTAustin **range from \$30,724 for a major in fine and studio arts to \$119,936 for a major in petroleum engineering.** The Census folks linked college transcript data with payroll records over time. All their data reinforces the saying that kids who wanna make bigger bucks should be steered to engineering.

For instance, check these additional stats for *median* salaries for UTAustin's first year grads: **Petroleum Engineering, \$119, 936 ... Chemical Engineering, \$89,893 ... Computer & Information Sciences, \$85, 334 ... Electrical, Electronics & Communications Engineering, \$77,298 ... Business/Commerce, general, \$75,547 ... and Mechanical Engineering, \$69,865.** The value of a world-class research university in our midst is beyond calculation.

Now for the burning question of the day for all Texans: Where have all the horny toads gone? Not too long ago, kids throughout the state delighted in finding and playing with the horny toad. (Remember turning over the little guy and rubbing its belly until it fell asleep?). Now the little creature with a menacing appearance similar to a tiny triceratops is seldom seen. What has led to their near-demise? *Texas Monthly's (TM)* David Courtney came up with some answers in his *TM* column, *The Texanist*.

First of all, let's get one thing straight. **The horny toad is not a toad. It's not a frog. It is a lizard. A reptile. So much so, the Texas horned lizard is recognized as the official state reptile** (much as the Texas longhorn is the official large mammal of Texas and the nine-banded armadillo is the official small mammal of Texas.) But still, for purposes of this discussion, we will use the common reference of horny toad.

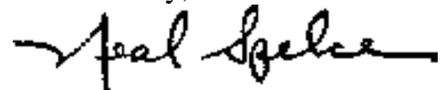
Now to answer the question. There are several reasons the horny toad's Texas population has diminished greatly. **Courtney says its popularity was one contributing factor. "This infatuation ... led to massive over collection."** And in some quarters they were a popular curio, "sold in the back of comic books." So in 1967, the Texas Legislature protected the horny toad from the pet trade.

One of the biggest problems is the proliferation of the dreaded fire ant. Fire ants destroy food sources for the horny toad and the pesticides used to eradicate fire ants had their effect on horny toads. Also, **horny toads have lost a great deal of habitat** due to urban sprawl and increased conversion of wild spaces for agricultural uses.

"Luckily, horny toads are universally beloved by Texans," noted *TM*. So a number of steps are being taken. Two of three horny toad species are on the endangered list. Continued study, breeding and reintroduction programs are ongoing. Check with Texas Parks & Wildlife for more info.

Dr. Louis Overholster went grocery shopping on an empty stomach and now owns Aisle 6!

Sincerely,



Editor/Publisher