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Dear Client:

If you look at the calendar with eyes that have some economic development expertise, you can logically assume Amazon will soon publicly announce the next big step in the selection of a city that will be its choice for its second headquarters, Amazon HQ2. In January, 20 cities including Austin were told they made the cut from 238 original submissions. Since that time, Amazon has made no public utterance. But, its self-imposed deadline is nearing.

Don't expect Amazon's next announcement to be *the* city. Amazon initially said it will decide the HQ2 city in 2018. **But, if Amazon follows standard site selection procedure, a handful of finalist cities will be revealed – a “Final Four,” or some small manageable number.** Winnowing down the smaller number to the “winner” will probably include further site visitations, negotiations and a comparative analysis. This could take a few months. And by this time, Amazon's own deadline will be upon them. For these reasons, **you can expect the final cut of cities should be announced sooner rather than later.**

Amazon earlier confirmed site selection teams visited all 20 cities. The visits were very private. Even some city officials didn't know they were in town. **And those who met with the site selectors were asked to sign confidentiality agreements.** Even the HQ2 team members didn't reveal their full names.

This, by the way, is the norm for most economic development visits, though usually it is to make sure the company's competitors are not aware of their plans. However, in this case there are no competitors. **Amazon announced it would invest about \$5 billion in the chosen city, and HQ2 would grow to about 50,000 new high-paying jobs over the years.** Amazon HQ2 has no peer.

The Austin and Dallas regions were the only two Texas sites among the 20 that made the first cut. And, an **Amazon team not only visited these sites, they also met with the Texas governor's office to gauge the state's role.** So, make no bones about it, Texas' no-income-tax, low-regulations, business-friendly-leaders add tremendous clout to local presentations.

A final note about Austin's chances: from Day One, Austin Chamber of Commerce officials who guided the Austin effort, **have used the phrase “Austin Region” – not City of Austin.** So, if Austin makes the “Final Four” – and it is considered one of the favorites – **don't be surprised if the physical location is outside Austin's city limits.**

Those concerned about rising Austin area home prices, and the effect on affordable housing, should take a look at California. Get this: according to the *Sacramento Bee* this week, three out of four residents can no longer afford its median home price. So what is the *state* median price? It hit \$597,000 during the April-to-June time period. Individual *cities* are worse.

In the heart of California's Silicon Valley, **Santa Cruz County's median home price is \$900,000. Now only 12% of the county's residents can afford a median priced home.** In the Bay Area, only 18% can afford the \$1 million median sales price. You get the picture. And, it appears to be having an effect on sales. The spring homebuying season is lackluster, with Realtors citing "waning buyer interest." **For Austin, Zillow reports the median home value is \$348,800.** And prices are quickly rising. **Austin home values have gone up 7.8% over the past year.** Zillow is forecasting a "2.6% rise within the next year."

No slowdown in Austin metro housing activity so far this year. Totals released this week show Austin has the highest level of *per capita* housing permit activity among the top 50 US metros. It ranks as high as sixth in the US for *actual total* housing units permitted in the first six months – trailing only the much larger metros of Dallas-Fort Worth, Houston, New York, Atlanta and Los Angeles. And, multi-family makes up 47% of Austin's totals.

All employees of the *Austin American-Statesman* – more than 200 – were offered a voluntary severance package late this week. You could see a different newspaper in just a few weeks. Because those who take the package would leave the *Statesman* next month. It took less than four months for the new owners, GateHouse Media, to possibly "clean house," depending on the final tally of those who will be departing.

It's not known how many employees have been thinking about retirement, or changing careers under new ownership. But more importantly, ***which* employees take GateHouse up on the offer will dramatically dictate the shape of the *Statesman* in the future.**

For instance, which veterans will take their expertise elsewhere? Don't know. But there is an awful lot of Austin knowledge in the noggins of writers such as **Ken Herman, Ben Wear, Pam LeBlanc, Asher Price, Ralph Haurwitz, Jonathan Tilove, Gary Dinges, Lori Hawkins, Shonda Novak, Kirk Bohls, Brian Davis** et al. Younger replacement writers (at lesser salaries, more than likely) will diminish the outcome of the journalism product.

It's long been the practice of new owners to make changes. (GateHouse bought the *Statesman* in April after four decades of ownership by Cox Media Group.) But taken at its face value, **this could be a sweeping change in an institution that has served Austin since 1871.** Stay tuned.

Milestone marked. The 9-gate terminal expansion at Austin-Bergstrom International Airport (ABIA) has now reached the 75% completion mark. But, the most important development for the hundreds of construction workers involved in the project, is the fact that air conditioning in the expansion area has now been turned on.

The average flyer – heck, even the most frequent fliers – will never utilize a very important part of the current Austin airport construction. These are the facilities that serve private, business and charter aviation on a daily basis. They are called General Aviation Fixed Base operators (FBO). A new FBO is being added to the two already operating. Here’s what this means for Austin airport operations.

Based on our regular reporting, you know that record numbers of air travelers are using the Austin airport each month. The 9-gate expansion cannot come soon enough to handle the crunch. But just as passenger usage is increasing, **the demands to handle private, business and charter aircraft are also increasing exponentially.**

The FBOs are private enterprise facilities. **But, those who use the FBOs land on the airport’s runways and impact the work of the air traffic controllers who keep the skies safe over Austin, as all planes jockey for take-offs and landings.** The current Austin FBO operators are Atlantic Aviation and Signature Flight Support. Another player is joining this scene.

This is really a big deal. **The new FBO, called Million Air Austin, will utilize 20-acres at the airport. It will offer more than 100,000 square feet of customizable hangar space in seven large, private hangars.**

Additionally, Million Air is building a large (almost 12,000 square feet) 3-story **building that will house a private club, a lounge area for pilots and others – plus retail space, for those high-dollar users of the FBO.** Million Air will also provide fueling, aircraft tie-down, parking and rental – as well as maintenance and flight instruction.

Major corporations, those already here and those contemplating a future location in Austin, rely on private jets for efficient travel, separate from standard commercial travel. This also includes wealthy individuals. Austin is an international destination. Just consider the Formula One event at the Circuit of the Americas and the huge number of worldwide wealthy international owners, and supporters of the event, as one example of those who need the services of an FBO.

The opening of this privately-financed facility is scheduled to coincide – more or less – with completion of the airport expansion. **Million Air’s private hangar facility is expected to be completed in 2019.** Its address is 4801 Emma Browning Avenue.

In a ringing endorsement of the tech talent in the Austin area, IBM this week announced that Austin is one of four locations worldwide for its highly-secured “X-Force Red” lab. Why so secure? Because the IBM employees are hackers. Yes, hackers. They are paid to test the security of systems and devices such as ATMs and cellphone apps. The other three lab locations are in England, Australia and Atlanta.

IBM has had a very public presence in Austin for decades. In fact, it started here back in 1967 making Selectric typewriters. It evolved into highly-regarded and successful tech research and development. **But, this aspect of IBM’s work is super-secret.** The company won’t even divulge how many team members are part of the X-Force Red lab.

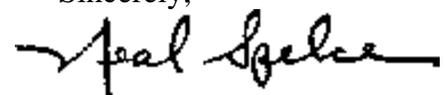
Sure, tech-heavy companies such as IBM, Dell, Apple, Google, Facebook, etc., dominate the Austin business scene with major presences in the area. But, hey, there are other non-tech companies moving their corporate headquarters to Austin. In fact, didja know the iconic roadside convenience store Buc-ee’s is now headquartered in downtown Austin?

We know, we know. **Calling Buc-ee’s a “convenience store” is like calling the White House “government housing.”** It’s much more than a 7-11, even though it has food items, restrooms, and gasoline pumps. So what do you call Buc-ee’s? **Now that it has taken the roadside convenience store concept over the top,** with dozens of gas pumps and restrooms, plus food choices and snacks out the wazoo -- plus hunting, camping and fishing gear, along with a vast inventory of souvenir items. Let us know what you think Buc-ee’s should be called.

Oh yeah, almost forgot. Buc-ee’s Corporate HQ started out in the small Texas town of Lake Jackson. **Don Wasek and Arch Aplin III** own it. And, even though they’ve set up their corporate headquarters in downtown Austin, they didn’t go over the top like they did with their stores. They simply signed a long-term lease with a co-working space company

Dr. Louis Overholster discovered a non-tech device that turns thoughts into speech – alcohol!

Sincerely,



Editor/Publisher