

Volume 21, Number 39

January 14, 2000

Dear Client:

High-technology firms are not the only ones struggling to recruit employees. There is a general dearth of skilled workers in Austin and it is affecting industries across the board.

Take the Texas Capital Area Builders Association. The trade group moved from its 15th street office to new digs at 7952 Anderson Square just before Christmas. You would think an organization that represents the building industry would have its pick of workers willing to spiff up its new quarters. Wrong. Even **Harry Savio**, the association's executive vice president, found the going rougher than he had anticipated.

Savio tells us that builders throughout town are having trouble getting workers to do what he calls the "punch-out work" – the touch up after the painter, the clean up after the framing, and other finishing and detail work. Everyone is so busy trying to get the big jobs done, quality is going by the wayside.

Austin had a similar situation in the mid-1980s when its economy was booming. But back then, growth in Dallas and Houston was beginning to temper and Austin started importing workers from larger Texas cities.

At the moment, the only city in Texas that is not booming, Savio said, is Corpus Christi. He tells us major plumbing companies are not limiting their efforts at finding workers just to the state of Texas. **They are advertising all over the country, hoping to attract workers to Austin.**

The Capital Area Builders Association has decided one option to explore is importing temporary workers from abroad, largely Mexico and Central America. The organization is holding a training program later this month to help its members through the labyrinth of immigration rules.

If home construction continues at its accelerated pace, **Austin is going to suffer from more than just a lack of skilled workers.** There is already a nationwide scarcity of such materials as insulation and sheet rock. The shortages are likely to become more serious and force increases in materials prices and, down the road, will further accelerate housing costs. And, of course, that means fewer people will be able to afford to buy a house in Austin.

Voters in Pflugerville go to the polls tomorrow 1/15/00 to decide whether to bail out of Capital Metro. Mayor **Doyle Bridgfarmer** has already told reporters he believes Pflugerville has better ways to spend its tax money than giving it to Cap Metro. West Lake Hills, Rollingwood and Cedar Park have already backed out of Cap Metro and Leander is threatening similar action.

At face value, you would think the folks at Cap Metro would be unhappy with the desertions. It does not do their already shaky image any good to have communities vote out of the transit network. And defections give Cap Metro another black eye because without an area-wide transportation agency, regional development becomes difficult. But in fact, outside of a loss of face from which they'll recover, the folks at Cap Metro may be rejoicing, albeit very quietly and privately. **It may be in Cap Metro's best interest to have the suburbs opt out.**

Consider the following scenario. The really important test for Cap Metro comes in May or November, when voters have their say on a light rail system. Without light rail, Cap Metro will shrink to a small bus company. With it, the transit network is an important player in Austin's growth. **Light rail is the all-critical question.**

But if there is opposition to that project, it is most likely to come from the more conservative suburban residents. They tend to support smaller governments and lower taxes. In addition, voters already unhappy with the bus company are not likely to get behind its expansion. What's important to note is **if these suburbs are not in Capital Metro's service areas, they don't get to vote in the light rail election.** Some naysayers would conveniently be removed from the equation. It may sound odd but lack of confidence in Cap Metro by the suburbs could spell the transit authority's success.

Cap Metro collects one-cent on the dollar sales tax from its service areas. Losing Cedar Park, Pflugerville or Leander is not going to do undue damage to its bottom line. Sales tax collections in Austin have risen by 10% in the last year, so while Cap Metro's service area may be shrinking, its revenues continue to rise. Equally important is the area's principal suburban retail core, Lakeline Mall, is in the Austin service area. That revenue is not in jeopardy.

There's no decision yet on **whether the light rail vote will take place in May or November.** Cap Metro may like the maximum amount of time to organize a public relations campaign but a **May vote may be better.** No one is counting on a big turnout in the spring, when Austin's mayor and some city council and school board members are up for reelection. Environmentalists traditionally make up a large percentage of spring voters – the very same people who are supporting light rail because they hope it will get cars off the road and cut down on pollution.

Austin's Mayor **Kirk Watson** is a sure bet for reelection. A light rail supporter, he may be willing to expend some of his popularity capital on the initiative. November will be a different political scenario. The turnout will be large. We'll be electing a president, among others, and with Gov. **George W. Bush** likely at the top of the ticket, anti-tax Republicans will be out in force. Cap Metro's history has been controversial and convoluted. Look for more of the same.

Work now underway on MoPac Blvd may not help congestion but it will at least warn motorists of bottlenecks and other delays.

The Texas Department of Transportation is putting cameras and other electronic devices on MoPac to give motorists **information about lane closures, accidents and other conditions ahead.** Details will be available on some radio channels. Devices are being installed at the northern section of MoPac and will be done in phases until the whole highway has been wired. Expect the project to take up to a year.

State Comptroller Carole Keeton Rylander agreed to keep meetings of her new e-Texas Commission open to the public after the *Austin American-Statesman* chided her for trying to do the people's business in the dark. What's important now is what happens when the Commission recommends turning over to the private sector tasks now done by state agencies. Privatization, or so-called out-sourcing, is the new buzz word within agencies headed by Republican office holders.

But will these private businesses agree to do their work in the sunshine or **will they plead secrecy as private contractors?** The issue is not only whether a private firm can do the work for less. It's also whether that firm agrees to the same transparency voters have demanded from any entity that uses tax dollars.

A preliminary indication comes from the Texas Department of Transportation, which has contracted with private firms to maintain hundreds of miles of the state's highways. TXDOT's contractors are subject to the same open records rules as state agencies. But all that's at stake with them is maintenance and work records. **Private firms could be more reluctant about sharing information,** when more sensitive financial, competitive and other data are at stake.

Mortgage bankers in Texas are expecting final approval from Housing and Urban Development in early February, clearing the way for the first reverse equity loan to be made by 3/1/00.

Voters approved a measure in November, allowing Texans over the age of 62 to take **the equity out of their houses without having to move from their homes.** Mortgage bankers want HUD's support because the federal agency insures these deals. Since reverse equity loans cannot be foreclosed, lenders want HUD to cover their losses if borrowers outlive their life expectancy.

The founder of the Texas Association of Reverse Mortgage Lenders, **Scott Norman,** is traveling the state talking to banks, mortgage companies, accountants, financial planners and others. In March, the association may do some advertising to get the word out about the new products. "We're about to have a viable product," Norman said. "These loans have the opportunity of becoming a **major part of financial planning** in the state."

Austin's air traffic growth rate in 1999 was twice as much as the national rate. There were 10.1% more passengers flying through Austin in 1999 than in 1998. The year ended even stronger. The increase in December was a whopping 14.7% more passengers than the previous December.

“We cannot define exactly why we had these kinds of increases, but certainly our resilient economy has the most impact,” said airport Exec. Dir. **Charles Griffith**.

If you're traveling through the Barbara Jordan Terminal this month, you may hear some of the **hits by Doug Sahm played over the PA system** as a tribute to Sahm who had a big impact on Austin music before he died recently. Some of his big hits (“She’s About A Mover”) came from his group, the Sir Douglas Quintet, Texas’s answer to the British rock ‘n roll invasion.

Texas has more miles of interstate highways than any other state in the nation. We also have more miles of rural and public roads and city streets.

At the other end of the scale, Texas ranks last in per capita state government expenditures. That number for 1997, the most recent available, was \$2,270. Austin, with a large population of runners and joggers, must be an anomaly among Texas cities. In 1996, 28% of Texans reported they were couch potatoes, ranking the state 25th in physical activity.

When **Dr. Louis Overholster** found out this venerable, staid newsletter was going on the web, he moaned: “When did we go from being “one nation, indivisible” to “one nation, Internet”?!?!”

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 1407 Wild Cat Hollow, Austin, TX 78746. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

Sincerely



Editor/Publisher