

THE

Neal Spelce

AUSTIN LETTER

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Dear Client:

San Antonio voters' overwhelming rejection of a light rail initiative may -- or may not -- portend a similar result in next fall's referendum on Capital Metro's rail proposal. Just a few days before the Saturday, 5/6/00, election, *San Antonio Express News* columnist **Roddy Stinson** roasted the referendum supporters for hiring out-of-town consultants to orchestrate the Alamo City referendum.

According to Stinson, VIA paid a total of about \$70,000 to Austinites **George Shipley** and **Eddie Aldrete** for political consulting, Baselice & Associates for polling, C&E Communications for television spots, Emory, Young & Associates for phone banks, and Message Audience & Presentation for printed materials. Apparently, the lone San Antonio contracts -- only \$14,000 in all -- went to a local law firm and a web designer.

As Stinson acidly wrote, "Unfortunately, the total of the stay-at-home money doesn't come close to the amount of neatly folded bills now residing in Austin."

Capital Metro officials are scheduled to visit the Alamo City in the near future to find out what went wrong. Clearly, one thing that went wrong was the adverse publicity surrounding the decision to hire a bunch of "carpetbaggers" to run the race. With a plethora of homegrown political consulting firms to choose from here (many of which took a licking in the San Antonio race), that shouldn't be an issue in Austin.

But the real problems in San Antonio were **tepid business community support**, low voter turnout, and a public perception that clear air problems aren't that bad.

To avoid the San Antonio debacle, Capital Metro must recruit strong and committed business community support. In the end, business almost always funds successful ballot propositions on citywide issues. Somebody's got to pay for the media advertising, grassroots coordination and support, and direct mail necessary for a campaign.

But more importantly, if there is any significant dissension in the ranks, the referendum could have big problems. A single well-funded opponent can torpedo a ballot proposition in a low turnout election. That's why a **united business front is so crucial**. Maybe Capital Metro ought to cancel that trip to San Antonio and focus on building support at home instead.

An analysis of the San Antonio light rail vote shows opposition to sales tax increases is broad-based. Remember, the San Antonio proposal included a quarter-cent tax increase; Austin's does not. Consequently, it can't be argued that light rail will increase the tax burden on Austin's poor.

The demographics likewise indicate that light rail seems to appeal to women and Democratic voters, but less so to male and Republican voters. This gender and partisan gap must somehow be overcome by light rail proponents, at least enough to achieve a majority at the polls. Given southwest Austin's self-assertion in last week's City Council elections, backers had better develop a strategy for **attracting at least some male, suburban support** for the referendum.

Capital Metro is stepping up its efforts to get riders at Austin Bergstrom International Airport. New city bus signs direct arriving passengers to Capital Metro's Downtown/UTAustin service to and from the airport. ABIA, Capital Metro, and Council Member **Beverly Griffith** got this done. As mass transit advocate **Jerry Bakala** put it in a recent letter to the editor, "A month ago, few people wandering the airport would know that Capital Metro provides service there."

Bakala goes on to applaud CapMetro's commitment to a "serious airport mass transit system." While Bakala still thinks the route needs improvement, he reminds us that CapMetro has named a task force to work out the kinks. Still, for 50 cents you can get a ride to the terminal door from downtown and UTAustin — not bad by any standards.

UTSystem's Vice Chancellor for Governmental Relations is stepping down at the end of August to enter the legislative consulting business. **Mike Millsap**, who joined the UTSystem in 1992 after serving as a Democratic member of the Texas House of Representatives and top aide to former House speaker **Gib Lewis**.

Millsap's departure comes at the same time as General Counsel **Ray Farabee's** retirement. Farabee, a former Democratic state senator from Wichita Falls, stepped down after twelve years at his post. The semi-exodus began when UTSystem Chancellor **William Cunningham** decided to hang it up earlier this year.

The departure of so much senior leadership from the UTSystem office at one time will leave the new chancellor with a lot of jobs to fill. It is unclear whether Interim Chancellor **Dan Burck** will make these decisions, or whether they will wait until the UTSystem Board of Regents chooses a permanent candidate after its (new) national search.

In any event, it's imperative for the UTSystem to get a new team in place before the Legislature convenes next January. With a major flex tuition initiative looming for higher ed, **UTAustin will need experienced legislative help next January.**

Austin's red-hot market for technology-ready office space will get a boost this summer.

highFlex Accelerator (that's right, the "h" in highFlex is not capitalized) is bringing 71,000 sq.ft. of new space on line at the Riata development off US183 and Oak Knoll Drive. Tenants will begin moving in on or about 8/15/00.

According to highFlex President **Darrell David**, the development is specifically designed for startup software companies that don't have the time or the cash to worry about telephone and high-speed hook-ups, office furniture, and finish out. The space is already configured, furnished, and wired. All the tenant has to do is "plug in and go."

As David is quick to point out, highFlex is not an incubator, nor is it an executive suite arrangement. Tenants will pay around \$35/sq.ft., about halfway in between the \$25-27 for traditional office space and the \$45 executive suites are asking. Moreover, the space's modular design allows tenants to lease only as much as they can actually use. Each module is already networkable with every other module, so the space can accommodate companies as small as 5-10 employees and as large as 100 and up. In addition to the pre-wired space, tenants will have access to conference and presentation space.

highFlex exclusively used Austin professional talent to design and build the accelerator. **Susan MacFarland**, whose clients include BMC Software, is highFlex's lead architect, **Frank Foran** is doing the MEP work, and DataCom Design is wiring the stations. David adds that highFlex wants to provide synergistic possibilities for its tenants by attracting venture capital firms and other services to the site. For example, highFlex's first tenant is Seedstage, one of Austin's biggest venture capital players. highFlex also has four executive suites available to high-tech lending institutions, staffing administrators, or accounting services.

David sees highFlex as the leading edge of a new epoch in office design. "We want to be more of a partner than a landlord," David says. "We're willing to look at **non-traditional leasing arrangements** to help startups make their limited capital go further."

You can easily check your new property tax appraisal – and your neighbor's – on the Austin Letter web site. There's still time to appeal those skyrocketing property tax appraisals. And to make it easier for you to determine if your property has been singled out unfairly, we've put a link to all the information you need on our web site.

From www.AustinLetter.com, go to the "Links" page, then to the Government Information section and click on Property Tax Appraisals. There you can find listings of appraisals for every parcel of property in Travis County for the years 2000, 1999 and 1998. This is on the public portion of our site, so as a print subscriber, you can still get the information. These shortcuts to valuable information are one of the many new features on our site.

Before you get too excited about the return of \$30 per barrel oil, think again. Texas' economy isn't what it used to be, and high oil prices negatively affect certain economic sectors. The oil and gas industry, which accounted for 25% of the state's economy in 1981, tips the scale at only 9% today. And the Federal Reserve Bank of Dallas estimates that Texas is 80% less sensitive to oil price shocks (up or down) than it was in 1982.

As you might expect, the primary **losers in the run-up of oil prices are transportation industries: airlines and trucking.** For example, Continental Airlines is now imposing ticket surcharges to cover increased costs of jet fuel. The US Department of Energy estimates that jet fuel prices have doubled in the last year, and passengers are paying for it.

Truckers are feeling the pain of 50% increases in diesel fuel prices. Because truckers don't have adjustable rate contracts with shippers, they tend to bear the full brunt of fuel price increases. With an estimated 2% profit margin, an extended period of high fuel costs could significantly affect the 656,000 Texans currently working in or around the trucking industry.

Although you might not think so, the **petrochemical industry** is also affected by expensive oil. Because chemical plants use oil as a feedstock, changes in price can have a significant influence on the costs of production. New contracts reflecting the higher prices could negatively affect profit margins in that industry.

Dr. Louis Overholster on the outsized egos of young multimillionaire pro sports athletes: "They should play for the name on the front of their uniform and not the name on the back!"

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