

THE

*Real Estate*

# AUSTIN LETTER

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Dear Client:

**The booster rockets have been jettisoned following the Austin area's impressive launch into the upper economic stratosphere over the past few years. Now we're settling into the other great part of the economic journey – cruising at a more manageable speed, at a high altitude, looking back at other cities whose launch put them into a lower orbit.**

As with any space launch, it was a bit bumpy with the G-forces of a powerful surge upward putting a strain on many – **higher cost of housing and living**, more **traffic** problems, construction **detours and delays**, etc. But now, as we settle into a high easy orbit, we can get about the business of catch-up and make this area work as a city and a region.

Our booster engines have been **more powerful than most of the other comparable cities**. A 62% increase in jobs over the past decade was more than the San Jose, Phoenix, Raleigh-Durham, Salt Lake and Denver regions. And we topped the charts among 300 metro areas in personal income growth – 15.1% between 1997 and 1998. We can cite stats all day.

What can we expect as we cruise along in this rarefied stratosphere? **Economic growth and population growth will continue this year** – especially in the three major counties of our 5-county metro area, Hays, Travis and Williamson. It'll be at cruise speed, rather than blast-off speed, but it will be significant and among the best in the nation.

Jobs will outnumber the qualified bodies available to fill them, so retailers will continue to see customers walk in with money in their jeans. Interest rates went down this week. That should help consumer confidence, inspire more confidence in the **stock market** and provide a little zip in the **real estate market**, that's still quite strong due to continuing in-migration of workers and their families.

If your old neighbor, the new president, is successful with a **significant tax cut** this year, you can anticipate a positive correction in our economic orbit. Investor confidence will rise – helping our **high-tech** companies.

At some point we will have to come **back down to earth economically**. But it doesn't look as if this will be the year. So, while we're cruising along in a good orbit, you should press city leaders to solve our problems of transportation, housing, workforce education, etc.

**If rhetoric means anything, a Gov. Rick Perry administration could provide a rare opportunity for UTAustin to take a quantum leap forward in its quest for undisputed world-class status.**

You'll recall the past six years of a **George Bush** governorship brought a laser focus to public school education. Higher education, while certainly not ignored, was not at the top of Bush's legislative lists.

Not so with Gov. Perry. "**Higher learning is the doorway to a limitless future. And it will be my passion while in office,**" Perry has said on several public occasions. In other words, the leaders of the UTSystem and UTAustin will have a very receptive ear in the governor's office.

That's where it all starts. With the bully pulpit of the governor's office, it will be much easier – though not a slam dunk, by any means — to get favorable treatment in the 77<sup>th</sup> session of the Texas Legislature, which begins 1/9/01. State Comptroller **Carole Keeton Rylander** reinforces the importance of funding, saying "Every dollar invested in our state's higher education system pumps more than five dollars into our Texas economy."

Remember, UTAustin may be the **single most important economic engine** for the Austin area. It's not just because it's the largest single university campus in the US (50,000 students, plus faculty and staff). It's much, much more than the economic impact of those bodies. For instance, there would be minimal high-tech presence in Austin if there were no UTAustin.

**Peter Zandan**, Chairman of Austin-based Internet software company, Zilliant, says the tech boom depends on higher education in many ways. "**There is no way the new economy could work without a highly trained workforce,**" he states. "That includes the engineers and business graduates, but also a much broader array of undergraduates and graduates in everything from liberal arts to public policy." Zandan goes on to say "The genesis of a great deal of our state's innovation comes from the faculty and staff at our universities, and with the emergence of biotech as a major business sector, that dependency for innovation will grow."

In that regard, Gov. Perry has also set technology as one of his other priorities. "Today in Texas, we are on the leading edge of scientific discovery. Technology has the potential to clean our air and water, transform the classroom, streamline government and save lives," Perry has said. "It is the new frontier, and **we must be the first to explore its full benefit.**" He's even calling for doubling the engineering output in our state universities.

That's a strong one-two punch — **higher education and technology** — to keep the Austin area economy strong. It's interesting to note Gov. Perry is the first graduate of TexasA&M to serve as governor. But UTAustin and TexasA&M have proven time and time again the schools can work together on higher ed issues while remaining archrivals on the gridiron. The looming legislative session will be another good opportunity to demonstrate that cooperation.

**Don't pay attention to all this talk about changing the Electoral College now that George W. Bush carried the College but lost the popular vote in winning the presidency.** Oh sure, there will be a drumbeat, even some demagoging, to "follow the will of *all* the people" to make the popular count prevail. But that's just not going to happen.

The Electoral College was created to **give the less populous states a voice** in the selection of the presidency. That really held true in this election. For instance, even though **Al Gore** won the popular vote, Bush won 29 states. Bush won 2,434 counties; Gore won only 677. The square miles of country won by Gore was 580,000 while Bush carried 2,427,000 square miles of the US.

Conceivably, if the president were selected by winning more popular votes, only a **handful of big states (maybe 10, maximum) would have all the political power** to elect the president. Texas, as the second most populous state, would be one of the most important. A presidential candidate could effectively **ignore the needs of 40 states** and still win the election.

Well, then, can't those ten states use their muscle with their large Congressional delegations to eliminate the Electoral College? Nope. Because it takes a constitutional amendment to do away with the College. In your civics class you learned it takes a **two-thirds vote of both the House and the Senate to propose** an amendment to the US Constitution. That's a big hurdle. But not the biggest.

If such a measure by some miracle passed the US House and Senate over the objections of about 40 states, it would surely fail in the next step of the amendment process. That's because **three-fourths of the state's legislatures** must positively ratify the amendment for it to become law. **Fat chance.** Congress customarily includes a provision requiring ratification within seven years. The less populous states could just sit on it – not act – and the amendment would fail.

To give you an idea of how hard it is to amend the US Constitution, consider this: during the entire course of our history, **only 27 amendments have been ratified** by three-fourths of the states. Six amendments were submitted to the states and never ratified. So you can mark the changing of the Electoral College off your list of concerns.

**The state's prison population increased about 60% and spending to house inmates went up nearly 100% from 1994 to 1999.** Part of the increase in population is due to a dropping parole approval rate. In 1990, nearly 80% of all eligible inmates were paroled. In 1998, the last year for which figures are available, **only 20% were paroled.** As a result, the average length of sentence served was up 50%. The costs skyrocketed in part to federally mandated rules that **eliminated many jobs performed by inmates, upgraded medical and psychiatric services** and hired **additional guards** to increase the ratio of officers to inmates.

**Top technology execs, community and other business leaders, as well as city officials, will gather 1/11/01 to spend all day focusing on issues critical to the future of Austin and its tech community.** This will be the third year for the glitzy, invitation only, 360.01 Summit.

The past two sessions have honed in sharply on key issues for the area. The conference, headed by co-chairs **Steve Papermaster** (CEO, Agillion, Inc.) and **Peter Zandan** (CEO, Pazzaz & Chairman, Zilliant) has set ambitious goals in the past. Now is the time for accountability. How well have the attendees at the 360.01Summit addressed such problems in the Austin area as education, transportation, affordable housing, downtown development, etc?

It's especially important now, because this high-tech driven meeting is coming at a time when many Austin high-tech companies have not only been battered unmercifully by the stock market, but some have either gone out of business or are hanging on by their fingernails. **The last two January meetings were marked by high-flying high-tech exuberance.** It'll be interesting to see if the problems will be tackled with the same enthusiasm as in the past.

**The January 2001 issue of the internationally-circulated *Travel + Leisure* magazine features an eight-page spread on the wonders of a weekend in Austin.** The opening sentence: "Money's rolling in, traffic's lining up, and life in this laid-back town has come a long way from sipping Shiner Bock at a back-yard barbecue."

"With high-tech whiz kids and Hollywood heavyweights moving in, the Live Music Capital of the World is fast becoming a hipster haven – and still holding on to its distinctly Texan identity," the opening of the article continues. And it goes on for eight more pages. The best line in the rave review: "**Whatever you do, be sure to see Austin before its popularity catches up with its success.**"

When it comes to the stock market, here's how **Dr. Louis Overholster** operates: "I have a buy and hold strategy. I buy – then what I hold is my head!"

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Sincerely



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