

THE

*Paul Spelce*

# AUSTIN LETTER

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Dear Client:

**What's happened to the effectiveness of the confrontational caucus of Austin's environmental community? The scenes of shouting crowds convincing the city to adopt their views are a distant memory. True, some of them are still making noises. But where are their victories?**

The environmental movement was at its loudest during the heyday of the Save Our Springs (SOS) effort that resulted in some of the tightest development restrictions in the nation. In those days, it seemed as if **activist environmental leaders and their followers marched in lockstep all the time**. Especially at the polls. They carried ballot issues and swept their candidates into office. And they did it loudly.

Since that time, the environmental movement has evolved and those **leaders who urged a more rational approach to achieve their environmental goals have pulled out of the formal SOS structure**. This left those who practice the confrontational method at the SOS helm. And, SOS has ended up on the losing side of the most recent contests.

For instance, SOS (under the leadership of the combative **Bill Bunch**) and the Sierra Club **opposed all four Travis County bond proposals** 11/6/01. Even though the three roadway issues and a parks proposal meant a tax increase, all **passed handily** (by 55% to 65% margins) — in spite of the SOS/Sierra Club opposition. So much for SOS's current political clout.

What's significant about this is that the more moderate environmentalists (led by **Robin Rather**) worked to make sure the items on the 11/6/01 ballot were more friendly to the environment *before* they were put to the vote. They then joined with business groups to push for passage — successfully.

So what does this mean? Obviously, there is still a strong undercurrent of support for environmental issues in the Austin area. **But, there is no single, do-or-die, rallying-point issue out there to coalesce all those who consider themselves strong environmentalists**. Consequently, the more effective environmentalists are those who work on existing, everyday issues to make sure the items are environmentally friendly. The table-pounders who are unwilling to compromise are having difficulty rallying support. It will be interesting to watch the issues and elections this year to see if this scenario continues to play out this way.

**The revenue hue and cry surrounding one of the Austin area's main economic assets – The University of Texas – has its roots back in the mid-1980s. It will culminate in just a few weeks when UTSystem Regents will consider levying substantial fees on students at UTAustin.**

How can one of the largest and best-endowed universities in the nation be so strapped for money that **buildings are in dire need of repair, and students are being asked to foot the bill for building repairs at the state-supported institution?** Well, much of the answer may lie in the words “state-supported” (or lack thereof). Increases in state financial support for the mammoth campus have fallen short of inflation each year since about 1985.

UTAustin president **Larry Faulkner** points out “in the 60's, 70's and early 80's, the University was built up with appropriations that grew significantly faster than the Consumer Price Index (CPI).” Coincidentally, that's when a substantial portion of the buildings were built on the UTAustin campus. And those buildings are now requiring substantial repair and renovation.

The condition of the buildings built 30-60 years ago is not the only problem. “Since the mid-80's, general revenue appropriations have grown more slowly than the Consumer Price Index, so there has been **an actual decline in purchasing power of state support** from general revenue,” Faulkner notes. “This period of negative real growth has now extended over nearly two decades.” UTAustin, by the way, is planning to go to the legislature a year from now to get funding that will generate “real growth of 1% or better, and full recovery of indirect cost.”

UTAustin's financial support has not only suffered in comparison with the CPI, but it has also been well below the support given to state higher education as a whole. “Since 1990, there is a total **gap of \$702 million** between the actual funding of the University from general revenue (appropriated by the legislature) and the funding that would have been realized **if UTAustin had received the average for higher education in Texas as a whole,**” said Faulkner.

“Over that same period, we have instituted and collected \$346 million in student fees,” Faulkner pointed out. Fees, Faulkner claims that “have been **absolutely critical to many of the improvements** instituted at UTAustin over the past decade.” And now, UTAustin is turning to more fees – **a sizable new “infrastructure fee” of \$230 per semester** for all students that will increase annually by \$50 per semester for five years.

The debate will intensify about this proposed fee over the next couple of weeks leading to the next meeting of the UTSystem Board of Regents. Already, there are those who say this huge **financial burden should not be placed on the backs of students** – even though the fee will generate only about a third of the needed funds, and after the increase, UTAustin's affordability will still be in line with other public universities. And, some are saying UTAustin should further **cut its expenses to free up money for the repairs.**

**Travelers passing through Austin and other airports have been generally accepting of the tightened security measures. Most check-in much earlier than they did prior to 9/11/01 and even report the security delays themselves are not all that bad. But, some worry that if security is not streamlined, traffic may not return to pre-9/11/01 levels.**

Granted airports are working out the kinks. But, they have the luxury of three elements working for them now that could soon go away: 1) passengers are **arriving earlier** than they did in the past, 2) the **number of air travelers is down** all across the nation, and 3) **traveler tolerance of problems is still high** because the tragedy of 9/11/01 is still visible in our rear-view mirror. When these elements lessen, or even go away, there could be trouble for airports.

Airports may not recover as quickly as the economy **if terminals and security processes are not streamlined – and made more uniform nationwide** – when commercial service returns to normal. As the trade group for airports puts it: “the customer experience must be a reasonable one.” Right now, this is not the case.

An Austin traveler last week arrived almost two hours early and **sailed through security at Austin-Bergstrom International Airport**, checking baggage under the new procedures and lugging a laptop in his carry-on bag. No problem.

However, at his return airport, still arriving two hours early, the Austin traveler was asked to **remove his laptop from his carry-on**, empty his pockets more than was requested in Austin, and was patted-down, spread-eagle, in the security area.

**The lack of uniformity was startling.** And, in more calm times, could lead to customer rebellion. Or a cutback in future air travel. Based on the Austin experience, the traveler could logically have expected less hassle and arrived closer to his departure time – possibly missing his return flight.

There’s another problem that could affect the Austin airport in the future. One of the most **appealing design elements** of ABIA when it opened just a few years ago was that ticket counters, departure/arrival gates and food areas were just steps away from the curb. **Families and business associates were accommodated as well as the traveler.** Workers who had no business at the airport even made their way to the terminal for lunch at the Austin-based food providers (with easy parking) and then returned to work.

Now, the only persons allowed on the concourse, where the gates and food service areas are located, are those with a boarding pass. Families can’t arrive early, grab a Schlotzsky’s or a Salt Lick BarBQ sandwich or an Amy’s Ice Cream while waiting for Grandmaw to arrive. Workers can no longer have lunch in the sleek surroundings. **This is not a “reasonable customer experience.”** The City of Austin needs to make design modifications to address these changes – for their customers, as well as for the Austin businesses who made major financial commitments to set up shop in the terminal, expecting more traffic than just travelers.

**Hear that? The whistling sound? That's the sound of rates for office space in Austin falling rapidly. It hasn't been advertised. But it's happening right now.**

The beginning of a year is usually a slow period for leasing office space. This year is no exception, so demand is down. And companies or firms that are still tightening their belts are **putting more sub-lease space on the market as a way to cut their overhead**. As a result you end up with a classic Economics101 situation: increasing supply coupled with lower demand equals lower prices.

“The clear trend in the past two weeks is a significant lowering in rates,” observes **Mike Buls**, whose company, Buls/Hodge Consulting, tracks the office sublease market in the Austin area. “This is not across the board, but **several users with large blocks of space with long-term leases have elected to decrease rates by as much as 40% or more** in an effort to increase leasing activity.”

Buls points out these users are **not advertising these massive reductions in lease rates**, but word has quickly spread through the commercial real estate broker network. And Buls goes on to say there is no doubt the large supply of office space will continue to push prices down.

By the way, Buls puts a positive economic spin on this situation. He feels this downward pricing situation will **“attract new users to Austin, as well as encourage emerging businesses to lease more space at these lower rates.”**

But, you need to remember a couple of things – if you do sub-lease space, be sure your sublease stays intact if something bad happens to the firm from whom you're subleasing. **Also, be choosy and negotiate**. This is a great time to be looking for office space in Austin, there's plenty of it out there and prices are dropping daily.

**Dr. Louis Overholster** is doing his part to help the economy by spending, spending, spending. As he put it: “Anyone who lives within his means suffers from a lack of imagination!”

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