

Volume 23, Number 46

March 1, 2002

Dear Client:

**Forget the statewide Republican primary. It's a snorer compared to the battles featuring the Morales boys, Dan and Victor, in the Democratic primary. The top two races for the Democratic nomination for USSenate and Governor are much livelier because of the M & M candidacies. As a result, election night 3/12/02 could be verrrry interesting.**

In fact, if you believe the polls, the heavyweight candidates for the USSenate – former Dallas mayor **Ron Kirk** and USCongressman **Ken Bentsen** – are in a dogfight for *second* place to see who will be in the runoff with Victor Morales, the former school teacher who ran a surprising race against incumbent USSenator **Phil Gramm**, while tooling around Texas in a pickup truck.

The conventional wisdom is that Kirk (whose mom lives in Austin) and Bentsen (whose uncle Lloyd was a USSenator and Treasury Secretary) are battling it out for the right to face Attorney General **John Cornyn**, who has four unknowns facing him in the GOP primary. But, either Kirk or Bentsen could be watching the race from the sidelines in November if they don't watch out for V. Morales.

In the governor's race, D. Morales is being money-whipped right and left by Laredo banker/businessman **Tony Sanchez**, who is spending – easily – *a million bucks a week of his own money* to try to trounce former Attorney General Morales. But, with the confusion surrounding two guys named Morales on the ballot, Sanchez might end up like two former well-financed gubernatorial candidates – **Eugene Locke** and **Clayton Williams** – who lost.

The irony is that Sanchez is spraying dollars all around to turn out a huge Hispanic vote, figuring it's the key to whipping GOP Governor **Rick Perry** in November. But, in the Democratic primary, that Hispanic vote might remember it elected D. Morales in the past and punch his number one more time, instead of Sanchez. Also, it almost surely will give V. Morales a boost in his USSenate race without V. Morales spending a dime.

The Hispanic strategy appears to be a good one on the surface. Some are predicting the Hispanic vote will represent a huge bloc in the Democratic primary – as much as 40% of the total turnout. But the real question is **will all the Hispanic voters vote for the candidate with the Hispanic name?** (The Bentsen family name has been powerful in heavily Hispanic South Texas for decades.) And if so, when there's a choice, which Hispanic will they pick? Election night could be fun.

**Talk about timing. After years of sky-high rental rates, the Austin office market now favors the tenant. And a big tenant, the state of Texas, is looking at 857,786 sq.ft. of office leases in Austin that are expiring between now and the end of 2003.**

The state is a desirable tenant. Hey, the state is not a dot-com that is here today and gone tomorrow. The state is **stable**. It is dependably **solvent** for the long term, and it pays its leases on time. About the only undesirable quality found in a state government office lease is that the state has been **notoriously difficult to deal with** when setting up a lease.

“Doing business with the state has required taking property off the market for up to 60 days to participate in the bid process” noted **Doug Dwyer**, SrVP Transwestern Commercial Services. “This can be detrimental to both sides in a transaction.” It was especially difficult during the go-go 1990s when office space was scarce and rental rates were ratcheting up at a rapid pace.

But not only has the market turned to favor the tenant, the state has now changed the way it negotiates leases. The Texas Legislature abolished the General Services Commission (GSC) in 2001 and moved the acquisition and management of the state’s real estate to the Texas Building and Procurement Commission (TBPC).

In the past, GSC almost exclusively used the low-bid method to in its real estate negotiations. Now, according to the State Comptroller’s office: “TPBC is now required to **use a best-value approach** and is – for the first time – allowed to enter into direct negotiations and to **employ private sector professionals** to improve agency decision-making, increase competition and reduce workloads.”

So it looks like the state has lucked out with **leases expiring at the best time** to catch the downturn in rates and it has **new marching orders** on how to go about getting the best deal. “A soft real estate market, specifically for office space, provides cost savings opportunities to the state of Texas,” commented **Randall Riley**, acting exec director of TPBC.

**Office rental rates continue to go down in the Austin area, but – get this – sub-lease space actually decreased at the end of February.**

**Mike Buls**, whose company Buls/Hodge Consulting tracks the sublease market every two weeks, reports office space available for subleasing in Austin decreased by 17,000 sq.ft. “It is too early for this to be a trend,” Buls said, “but **considering that every sublease report has reported an increase, this is a significant change.**” We’ll watch this for you.

Meantime rental rates have stayed low. Be sure to negotiate because Buls tells us “there is a wide discrepancy between *advertised* rates and the rates when you bring a client to the table.”

**As we told you back in January (1/11/02), the job of Austin City Manager will soon be filled and since it is “the most powerful government position” in our city structure, it’s vital to our area’s well being to fill that slot with the best possible candidate. So what does the person who appears to have the inside track for the job feel are the top issues currently facing our city ?**

The current Deputy City Manager, **Toby Futrell**, is considered by many as the person who will be tapped by the Austin City Council when **Jesus Garza** moves on to the Lower Colorado River Authority in a matter of weeks. In a Greater Austin Chamber of Commerce meeting, she outlined what she felt were the top 12 issues facing Austin in the coming year, then added another to make a baker’s dozen.

At the top of her list is the **budget**. She feels that decreases in sales tax and property tax revenues, as well as projected homeland security expenditures, will stretch available city funds thin. She names **healthcare and hospitals** as number two, claiming that city-owned Brackenridge Hospital is in effect “a regional hospital on city funding.” Many patients are being turned away, on an almost daily basis, due to lack of capacity in the emergency room.

Saying Austin is land and facility rich and cash strapped, Futrell says **parks maintenance** is #3 on her city issues list. She also says in a high tech community, **library technology** is lacking. Number five on her list is **drainage**. Futrell says relatively simple rains cause major problems because there is an \$800 million backlog on projects recommended under the Drainage Master Plan.

Futrell says **access to services** is #6 on her list. She says the city has relatively little e-government or online access to city services and that the city needs a 24/7 call center such as that maintained by the electric and water utilities. **Rising property crime**, which comes in at #7, is a concern. **Redevelopment of the abandoned Robert Mueller airport**, #8, is likely to have a high price tag, and #9 **traffic congestion** continues to contribute to Austin’s very high rate of traffic fatalities and is a major economic development problem for the city.

The **viability of Austin Energy** is #10 on her list. She points out that electric restructuring dictates that the utility must become competitive with investor-owned utilities. At #11 is **environmental protection and water quality**, noting Austin will lose a great asset if the lakes and hills are not preserved.

**Affordable housing** came in at #12. She notes that Austin’s cost of living is the highest of major Texas cities. She added **public safety** as #13 to her Top Twelve list of issues. Public Safety relates to police officer training, citizen oversight and demand for cops on the street.

This should give you **in-depth insight into the thinking of the person likely to be the next CEO of the city**. Remember city government is a huge business (only *one* other Texas city has a bigger budget!). And the city manager plays a major role in the city’s success or failure.

**College football fanatics started getting their fix this week when the Texas Longhorns began Spring Training. And already the faithful are talking about the big match-up 10/12/02 in Dallas with those Oklahoma Sooners. Since OU is the first major hurdle toward a national championship, the most-asked question is: “How can I buy tickets?” Here’s what it takes.**

Ticket requests always exceed the supply. So if you’re not a student, how do you **move up in the pecking order** to buy the hottest ticket of the year? For starters, **you have to buy season tickets** to all the home games this fall. You may request one OU ticket for each season ticket purchased – up to a max of four. This is the easy part because season tickets are not sold out.

To understand the priority process, you need to understand the math. First of all, the Longhorn Foundation **allotment for the big game is 20,000 tickets**. Last year, 53,000 season tickets were sold and there were 11,000 members of the Foundation. So, a priority system has been established and **season-ticket holder donors to the Foundation get priority**. That’s the key.

The big givers are at the top of the list. Donors with a cumulative (*over the years*) gift total of **\$100,000 or more** get first choice. The next level of priority is made up of the folks who pay the big bucks each year for the **Stadium Suites**. The third level is composed of **Foundation members** prioritized by *annual* contributions.

There are several more levels on down the list (in order: former lettermen, voting faculty, active Texas Exes and the general public), but frankly they don’t count because OU tickets are **long gone by the time they get this far** down the line, even if you do have season tickets. In fact, last year as we recall, if your *annual* contribution to the Foundation was below \$1,200, you didn’t make the cut.

What do you do? If you’ve got the bucks, contact the Longhorn Foundation prior to 3/15/02 at 512-471-4439 for details. Or get buddy-buddy real quick with the big givers.

**Dr. Louis Overholster** has a sure-fire way to stop the flooding on the Colorado River: “Just name it coloradoriver.com and its volume will drop by at least one-half!”

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