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Dear Client:

Early voting in the Austin mayoral/council contests ends tomorrow (4/26/03). The election, which will decide the majority makeup of the seven-member governing body, will take place the following Saturday (5/3/03). But the new mayor may not be known until a runoff election.

Councilmember **Will Wynn** was considered the early favorite to succeed Mayor **Gus Garcia**. And he still is. But, he has become a lightning rod for all the candidates who have complaints about the way Austin is governed. Wynn's major opponents – **Marc Katz, Brad Meltzer** and **Max Nofziger** – are basically ignoring each other and concentrating their criticism on Wynn. Four other additional candidates don't have a prayer, but many Austinites who sport "Keep Austin Weird" bumper stickers will probably spread their votes around these also-rans.

All this could push Wynn into a runoff, and it could be a lonely runoff if **Brewster Cracken's** last-minute TV blitz puts him ahead of his crowded field. Incumbents **Raul Alvarez** and **Danny Thomas** appear headed toward re-election 5/3/03. Wynn has the bucks to saturate the TV airwaves during the last few days. But will it be enough to win without a runoff?

There will be no runoff for two propositions on most ballots. It will be an up or down vote for the Austin Community College's push for additional revenue. The first ACC proposition would **increase ACC's existing tax cap from 5 cents to 9 cents per \$100 valuation**, with the increases phased in over three years. The revenue would be used to expand ACC's health sciences programs, which currently turn away students because they are running at full capacity. The additional revenue would also be used for new programs in nano-technology and dental hygiene.

Proposition 2 would authorize ACC to issue \$99.15 million in bonds for facility improvements. Those improvements would include adding classroom space and science labs, and **would be funded by a 1 cent increase per \$100 valuation**.

So what are the arguments for and against the ACC propositions? Most of those against the ACC measures argue against increased taxes, saying **homeowners can't afford more taxes** during these down economic times. Those for the two proposals point to the **need for an educated, highly skilled workforce to help boost the economy**, and that ACC is forced to turn away as many as 4,000 students each year.

Realtors across the state remain positive about their local real estate market outlook for the second quarter this year — except for those in Austin.

Expert Real estate industry panelists responded to a series of questions from The Real Estate Center at TexasA&M, the state's foremost real estate research center for the past 30 years. They indicated what they thought about their particular market area for the **April, May and June 2003 calendar quarter**. The response was positive, except for Austin.

“It is remarkable to me that the **Texas real estate market remains healthy** in spite of negative news about the national economy, consumer confidence and the ramifications of war with Iraq,” observed **James H. Leigh**, an associate research scientist for the Center.

The panel of statewide experts includes **mortgage lenders, commercial lenders, commercial and residential Realtors and builders**. Overall, builders were the only group that was slightly negative in the survey. The Texas Real Estate Confidence Index (TRECI) uses a model that ranges from 0 to 1, with .50 as the “neutral” mark. Numbers above .50 reflect positive feelings about a market, below .50 negative feelings.

Only the Austin metro area came in with a negative number (.48), albeit only slightly negative. However, all other metro areas were on the positive side. El Paso led the state with an index of .61, followed by Fort Worth-Arlington at .60 (areas outside the six major metros tallied .59), Dallas at .55, San Antonio at .54 and Houston at .52.

Now in its fifth year, the TRECI tracks the state of the real estate industry on a quarterly basis. The current totals are down only slightly from those of a year ago. “Interest rates remain at very low levels,” noted Leigh. **“Uncertainties hovering over the nation and the state seem to be leading builders to take a conservative position as we enter the home-buying season.** The statewide TRECI and most of the sector numbers are good to see, however.”

Now matter how you try to spin it, the average number of daily passengers flying in and out of Austin is at a four-year low.

In March 2003, the average daily passenger totals were below March in 2000, 2001 and 2002. This is obviously not good for the airline and hospitality industries, but it is also **an indicator of the tepidness of the local economy**. Business travel is down and consumers are not spending the bucks on airline travel just yet.

Leisure airline travel may pick up in the busy summer season. But it remains to be seen if it will return to the levels of previous years. We'll keep an eye on it for you.

What's the story behind how the Austin City Council came to vote overwhelmingly to shut two lanes of heavily traveled four-lane Riverside Drive through the heart of Austin? As usual in Austin, it involved a lot of players with their own agenda.

On paper, the ultimate goal sounds great for the city. **Build an attractive urban park** on Auditorium Shores between the spanking new Palmer Events Center and the soon-to-be built Joe R. and Teresa Lozano Long Center for the Performing Arts on the south, and Town Lake on the north, with the city skyline providing a dramatic backdrop. Sounds good, huh? But remember, this is Austin, so it gets complicated.

Riverside Drive runs along the southern boundary of the proposed park and the northern boundary of the two event centers, utilized by some of the most **involved and active civic organizations**. And the park is just a block or so away from the homes in the Bouldin Street area, represented by a very **politically active neighborhood group**. And of course, **parks and environmental groups** are always interested in a park and the downtown lake. Now, you're getting the picture. A behind-the-scenes observer gave us this account of how it went down.

It all started with a demand from the neighborhood, parks and environmental groups to **entirely shut down the portion of Riverside Drive that fronts on the park**. This section of roadway, by the way, handles more than five million vehicle trips per year. They cited safety, environmental and aesthetic reasons.

But the influential Junior League of Austin (whose biggest civic moneymaker of the year is held in the Palmer Center), and the Symphony, Opera and Ballet folks (affectionately known as "The S.O.B.'s"), who will be packing the Long Center with performances year round, **objected to the total closure** – for access reasons.

So what to do, with these powerful groups at loggerheads and threatening to stymie the project? The Great Compromiser, then Mayor **Kirk Watson**, got the Jr.Lge. and the S.O.B.'s to **accept half a loaf (2 lanes, instead of 4)** if they backed off their opposition.

He also got those on the other side to **quit pushing for an immediate closure of all lanes** and accept 2 lane closures to move the project along. With that accomplished, the City Council voted 6-1 (with **Will Wynn** voting no) for the compromise. Other interested parties sitting on the sidelines were surprised.

Now what's going to happen? You'll recall in our report 4/18/03 we pointed out it will take a little more than \$5 million to tear out 2 of the 4 lanes of Riverside Drive between South First Street and South Lamar Boulevard. This part of the project has yet to be initiated. And those who were not a party to the inside wheeling, dealing and compromising can only hope the **economic downturn and possible over-budgeting can combine to keep the city from spending the money** to tear out the two lanes of heavily-traveled Riverside Drive.

Where did the regional magazine, *Texas Monthly*, rank nationally in terms of ad pages during the first quarter? Hint, it beat out such big books as *Cosmopolitan*, *ESPN The Magazine*, *Barron's* and *USNews&WorldReport*.

The number of ad pages is one of the measures of the financial health of magazines. Another, of course, is advertising dollars (they don't always coincide, by the way). The Publishers Information Bureau just released the numbers for January through March 2003 and **Austin-based *Texas Monthly* ranked #31 nationally in advertising pages.**

That's healthy. It also represented a **28% increase** over the first quarter 2003, but that increase is tempered somewhat because the 1st quarter of 2002 was extraordinarily depressed when mags took a big hit from advertisers' post-9/11 pullback. The national average page increase was 5.6%. Ad revenue by the way was up 19.3% at *Monthly*, compared to 2002's 1st quarter.

What's going to happen to up-and-down gasoline prices as we head into the summer driving season and later wrap up a year that included a war in the Middle East?

The best info we can get indicates the drop in gasoline prices that has been predicted will not occur until the fall. In fact, gasoline **prices could go up even more this summer**, maybe as much as 20 cents a gallon, as families pile into the old jalopy and take summer vacation trips.

However, as the fall season rolls around, and demand diminishes, you can look for prices at the pump to **start dropping – maybe to as much as 40 cents a gallon** below where we are now.

By the way this isn't all due to predatory pricing. OPEC will try to keep prices up, but when Russia irons out its pipeline problems, production will ramp up and gasoline will be plentiful.

Dr. Louis Overholster advises his patients that the best part of all the problems you have as you near retirement is that at least you know it's not a midlife crisis!

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