

THE

Real Spelce

AUSTIN LETTER

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Dear Client:

Get used to seeing the acronym, RMA — because it is a powerful, small authority that holds growing power over how you move around the Austin area. And, what happens here will ultimately impact the entire state.

RMA stands for Regional Mobility Authority. Created during the previous Texas Legislative session, the first RMA had its organizational meeting in Round Rock in January. The Central Texas RMA (CTRMA) is a seven-member board **dedicated to speeding up road projects in Travis and Williamson counties**. RMAs allow counties to develop, construct and maintain local turnpike projects as part of the state highway system. Other counties around the state are watching what happens here and could soon create their own RMAs.

The CTRMA includes three members appointed by Travis County, three by Williamson County and a Chair, **Bob Tesch**, appointed by Governor **Rick Perry**. **Lowell Lebermann** was elected by the group as its vice-chair. The two counties each ponied up \$250,000 to cover start-up costs, but don't let that relatively small dollar amount fool you. We're ultimately talking about hundreds of millions of dollars from a variety of sources that will be controlled by CTRMA.

The group's first project is a toll-road alternative to US183 in Cedar Park. The long notorious roadway (remember the bumper sticker: "**Pray For Me, I Drive 183?**") is heavily congested with Williamson and Travis County motorists. The \$276.5 million project, called US183-A, will extend 12 miles in Williamson County. CTRMA's second project is SH45 Southeast, a proposed 7-10 mile corridor connecting SH130 with IH35 in southeast Travis County.

It doesn't stop there. The CTRMA is asking this session of the legislature for more authority. Two bills (that may be consolidated) passed the House without a hiccup and are awaiting Senate consideration. The measures would **give RMAs the power of eminent domain and allow them to condemn property or rights of way**, as well as give them the authority **to issue bonds for future funding**.

While CTRMA is new, and small, and operating below the radar for the most part, it has the capacity to have an **enormous influence on your daily travels**. Even more than that, it will have a **major influence on how and where growth occurs** throughout the two big counties in our 5-county metro area. And, it could do so at a much faster pace than past roadway expansion.

Two things stand out about last week's election (other than the *Austin American-Statesman's* Ben Sargent's cartoon that featured a bumper sticker reading "Keep Austin Apathetic!").

In spite of the \$100 campaign contribution limit (or maybe *because* of it!), the winners/leaders of heavily contested and crowded contests proved it **helps to have the biggest war chest**. **Will Wynn**, who will take the Mayor's oath of office 6/16/03, and **Brewster McCracken**, who led with 43.53% to take the momentum into the only City Council runoff 6/7/03, both spent more money than their opponents. And, the Austin Community College (ACC) vastly out-spent and out-organized the no-tax crowd to pass two props.

The second standout result is the fact that, during some of the toughest economic times in almost two decades, Austin voters bellied up to the bar, took a deep breath, and voted to impose more taxes on themselves.

ACC overcame past internal squabbles and controversy to convince this education-oriented community of its needs for additional funding. Contrast this with the "no more taxes" mantras uttered daily at the State Capitol and you get some idea of the significance of this election victory.

The election results are tempered somewhat— as they have been for years — by the relatively low turnout — **only 14.93% of registered voters cast ballots**. By the way, if you haven't registered to vote, you just missed the deadline for the June runoff election between McCracken and **Margot Clarke** (who got 35.32% of the vote). The deadline was 5/8/03. They're seeking the Place 5 council seat that will be vacated by Wynn when he moves to the mayor's chair. If you *have* registered, early voting starts 5/21/03. The next council election will be in 2005.

A measure many think will help the economy is making its way toward passage in the Texas Legislature. It's a constitutional amendment that will give Texas homeowners access to home equity lines of credit, as is the case in virtually every other state.

While home equity *loans* are available to you, home equity *lines of credit* are not. The line of credit would, essentially, allow the homeowner to have a credit card based on their home's equity. But unlike a regular credit card, **the interest rates are substantially lower and they are deductible from your federal income tax tab.**

State Comptroller **Carole Keeton Strayhorn** says "my economists estimate that if Texas homeowners had the Home Equity Line Of Credit option, the economic impact would be almost immediate and, most importantly, would be dramatic." She estimates **Texans could save \$741 million annually using the lines of credit instead of other loans** — and those savings would be pumped into the Texas economy. If passed by the legislature, voters must okay it in November.

“Mommas, don’t let your babies grow up to be cowboys,” as Willie’s hit cautioned years ago. If you want to almost guarantee them a job upon graduation, engineering is the way to go.

The demand is so great, even in these tough times, the Austin Area Semiconductor Executive Council (SEC), which is composed of major semiconductor companies, local school districts and post-secondary institutions, is now **developing programs that will help create more engineers in Central Texas**. In the past, semiconductor companies were looking for skilled technicians to work in manufacturing facilities.

Recently, the semiconductor industry’s workforce needs have changed. Manufacturing remains an important part of Austin’s semiconductor sector, but the **need for engineers is crucial to the industry’s future in Central Texas**.

How crucial is it? According to the Texas Engineering and Technology Consortium, demand for high tech workers including engineers increased by more than 50% during the 1990s, but **the number of students graduating with degrees in engineering increased by only 10%**. So there’s a lot of “catching up” to do.

To address these long-term needs, the SEC has outlined a process for working with schools to **promote engineering among middle and high school students as a potential career option**. These programs will work in tandem with the SEC’s existing programs aimed at the technician workforce. The existing efforts have been successful in the past.

Major Austin area manufacturers and industry organizations, such as AMD, Applied Materials, Cypress Semiconductor, Intel Corporation, International SEMATECH, Kinetics Electronics, Motorola, Samsung, SEMI and Tokyo Electron America are working with local educators. The participating educational institutions include Austin Community College, Southwest Texas State University, and the Austin, Del Valle, Hays Consolidated, Leander, Manor and Round Rock school districts. **Internships were created at semiconductor companies** and industry pros went to schools to talk about **career and education opportunities**. Also, the industry folks worked to provide **professional development for technology and electronics teachers**.

This concerted effort is important for Austin’s future job creation. For instance, Samsung’s \$500 million investment in its Austin plant announced last week is the largest industrial investment here since Samsung built its \$1.4 billion Austin plant in 1996. This new investment alone will **create an additional 300 jobs** in Austin with *an average wage of almost \$53,000 per year*.

During the construction phase alone, the expansion could generate about \$135.2 million and create more than 1,100 jobs on the project. All this spending, plus the associated spending on equipment and materials will mean as much as **\$753.3 million to the Austin economy in direct and spin-off benefits when the fab is totally operational**, according to **Mike Rollins**, the president of the Greater Austin Chamber of Commerce.

Those who keep an eye on the anemic Austin office market welcome expansion of Samsung's operation – even though it is a manufacturing facility.

“It will take both significant **growth by Austin companies, and new companies, relocating to Austin** to slow the current trends and stabilize the office market,” according to Austin's NAI Commercial Industrial Properties. This has been the case for the past two years, so the Samsung was a ray of hope for the coming months and years.

But in the meantime, **economic and market conditions will continue to put downward pressure on rental rates and occupancy levels**, predicts NAI CIP. This is because there have been no major swings, one way or the other, from the high vacancy levels of the recent past.

At 25%, the citywide effective vacancy rate (counting available sublease space), remained unchanged from year-end 2002 through the first quarter of 2003, reports CAI CIP. **The highest vacancy rate was 30% in the northwest**, followed by 26% in the southwest and 23% in the Central Business District.

To keep this in perspective you need to realize **the northwest, where the vacancy rate is the highest percentage-wise (30%), is where most of the office space is located – 39%**. So that's where the bulk of the available space is located. On the other hand, the southwest has a 26% vacancy, but it represents only about 18% of the entire office space market. Downtown, the CBD, has 24% of the area's office space and about 23% of the city's vacancy – about what you would expect in these market conditions.

How long has this gone on? The numbers for the year 2000 were off the charts. For instance more than 3 million square feet of office space was absorbed. **The vacancy rate was low and rental rates were high**. Then the bottom fell out in 2001, 2002 and so far in 2003.

Remembering Mother's Day, **Dr. Louis Overholster** said “the most remarkable thing about my mother is for 30 years she served nothing but leftovers. The original meal has never been found!”

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Sincerely



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