

THE

Real Spelce

AUSTIN LETTER

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Dear Client:

As the king of the malapropism, Yogi Berra, was fond of saying, "It's déjà vu all over again." He could have been referring to the Greater Austin Chamber of Commerce's efforts to re-kindle the once-white-hot local economy that flamed out in the last couple of years.

For decades we've chronicled the pendulum swings of the Austin economy, and during those cycles, the area's largest volunteer business organization has been heavily involved. Now, the Chamber is involved again – **partially undoing what it has done in the past**. This is not all bad, because different economic conditions dictate different, sometimes contradictory, steps.

Back during the good ole days of the high tech boom, the **Chamber leadership changed its thrust away from recruitment of new industry to create jobs**.

It was a victim of its own success. So many jobs had been created there were not enough qualified applicants. Salaries skyrocketed for the best people. So the Chamber emphasized workforce training to meet company needs.

Now, even though our economy is more diverse than ever, **we're back where we were when the Austin area was a one-industry town** (relying heavily on governmental and educational paychecks). Our unemployment percentage is triple what it was during the boom times. **There is a need to recruit more industry in order to generate more jobs**. And the Chamber is in the midst of an economic development study that will undoubtedly conclude more jobs must be created.

This recruitment/non recruitment swing of the Chamber had its genesis back in the 1950s. The motive for the first effort was not solely job creation however. It was a concern over property taxes. **Since there was relatively little industry in Austin, homeowners, small businesses and apartment owners carried the lion's share of the financial burden for city services**. After all, you couldn't tax the State Capitol or the UT Austin campus buildings. And there was no sales tax. **New industry broadened the tax base** as it created jobs. So the Chamber conducted a study and started persuading new industry to move to the Capitol area.

The pendulum continues to swing. Mark it down. After future economic successes anticipated later this decade, you can expect to see Chamber members **once again suggest its leadership quit trying to bring job-generation companies to Austin**, and focus more on helping the businesses that are already here. It's happened before. It'll happen again.

However, right now “there is an assault on Austin industry,” according to Kinetics CEO David Shimmon. Cities, states and nations looking for new jobs are targeting Austin’s industry.

Not only is the Greater Austin Chamber of Commerce moving to attract new jobs to Austin, it must protect our economic flank. The competition for new jobs is more intense than it has ever been, so it is not enough to try to out-compete other locales for expanding and re-locating industry, **Austin must keep local job creating companies happy.**

The Chamber maintains **Austin is fighting for every job**, at a time when jobs are needed to keep our highly skilled and educated workforce here. The GACofC argues that jobs and industry are needed to maintain the tax base that supports city and county services and the public schools.

Austin and The Chamber are getting some **help on the technological front**. You’ll recall a diverse group of business leaders, calling itself the Texas Technology Initiative, has been **pressing for state assistance** to keep the nation’s leading semiconductor research consortium SEMATECH here, after New York lured a portion of SEMATECH’s operations to Albany.

Under the leadership of an economic development veteran, Austin attorney **Pike Powers** (with the solid commitment of Governor **Rick Perry**), the Texas Legislature created the Texas Enterprise Fund at the level of \$295 million. Part of this money will be used to **support an expanded effort by SEMATECH in Austin** to continue the Silicon Hills of Austin’s leadership in semiconductors.

This effort also includes a major push to get **federal funds for another major research facility in the Austin area**. These moves are important because they keep and expand what we have now. But just as importantly, SEMATECH is a magnet enterprise, attracting many other high tech operations to the area.

Austin cannot always rely on the state and the feds to come riding to the rescue. This is why The Chamber is preaching the **City of Austin must have a consistent economic development policy to keep existing industry strong and attract new jobs**. It points out the Mayor’s Task Force on the Economy has studied the issues and made recommendations that will, as the GACofC puts it, “remove barriers for existing businesses and make Austin more attractive to new employers” in this heightened era of competition among cities.

More jobs mean more people spending more money. One new job doesn’t just put money into the jeans of the worker. Most workers today spend most of what they earn. This benefits the City (tax revenue) as well as businesses. In fact, **enough new jobs will reverse the trend we’ve noted where sales tax revenues (an indicator of retail health) have decreased each year since 2000**. The Chamber is urging the Austin City Council adopt the Task Force recommendations to create new jobs ASAP, before the Council takes a four-week recess that begins 6/13/03 – which means action at its next meeting Thursday, 6/12/03.

You'll get a chance 9/13/03 to vote on a change in the Texas Constitution that, if implemented, could pump \$741 million into the Texas economy – and at the same time, give you a little more financial flexibility.

We gave you a heads up 5/9/03 that a constitutional amendment was making its way through the legislative process that would give Texas homeowners **access to home equity lines of credit**, as is the case in virtually every other state. Well, **it passed**. As with all amendments to the Texas constitution, voters must also approve it and will have that opportunity in September.

The amendment establishes a home equity line of credit for up to 50% of the fair market value of a homestead and 80% loan-to-value cap. **Homeowners will be able to borrow only they amount they need, when they need it.** This should save thousands of dollars in interest costs over the life of the loan. Lines of credit are subject to the same consumer safeguards that apply to all home equity loans.

As with home equity loans, **the line of credit will enable Texans to transfer existing higher-interest debt (such as credit cards) to a home equity loan**, significantly reducing the interest they pay and enabling them to deduct that interest from their federal income taxes. There is also a provision in this change that allows homeowners more flexibility to choose whether to make monthly or bimonthly payments on their home equity loans.

State Comptroller **Carole Keeton Strayhorn** says “the economic impact would be almost immediate and, most importantly, would be dramatic.” She estimated Texas homeowners could save \$741 million annually using lines of credit, instead of other loans. And those savings would be pumped into the Texas economy.

The State of Texas financial problems are small compared to those in California where the budget shortfall has risen to \$38.2 billion, and has led to an effort to recall the Golden State's governor, Gray Davis.

Interestingly, the Republican-led petition drive to unseat the Democratic governor could lead to the election of “The Terminator,” **Arnold Schwarzenegger**. “Ah-nuld” has said he would like to be governor some day, though he is “no comment-ing” about the recall effort. But his high profile *Terminator 3* movie will be released next month. And backers are touting his candidacy.

If the petition drive results in an election, there will be two questions on the ballot: 1) should the Governor be removed and 2) which of these candidates should replace him? The one with the most votes – **it doesn't have to be a majority and there is no runoff** – would become governor. If a lot of candidates are on the ballot, especially a lot of Democrats, The Terminator might be the next Republican governor of California.

When, oh when, will US290/SH71 be extended as a freeway through Oak Hill in the southwestern part of the city? You probably thought it would never happen. Well, hang on. There's some discernible movement that indicates it might happen.

When the freeway extension project was announced years ago, some businesses (apparently thinking it would be "forever" before it happened) decided not to move. Well, they are now getting **notices from the Texas Department of Transportation (TxDOT) to close or move.** Here's what's happening that indicates the freeway extension is getting underway.

TxDOT crews have been out **surveying the area, to confirm earlier aerial measurements.**

Utility work will begin this summer to clear the way for the first phase of construction next year.

The contracts for **three lane frontage roads** along US290 from Williamson Creek to FM1626 are slated to go out from TxDOT in September 2004. In fact, some work has already begun in advance of the main project.

If you've been highballing south on the US290/SH71 freeway, nearing Oak Hill, you've undoubtedly had to slam on the brakes (or maybe even been involved in a tail-ender) as the **freeway abruptly came to an end just as you get to Oak Hill.** Well, soon you will have to navigate construction in the area (lesser of two evils?). But one day, somewhere down the line, the project will be completed and you'll have smooth sailing through the growing area.

When **Dr. Louis Overholster** learned that Mad Cow disease had been discovered on our border in Canada, he thought about the Atkins protein diet that advocates eating higher quantities of meat as a way to lose weight. The good doctor said it's potentially the best diet of any on the market, because even if you never shed a pound, it won't matter because you won't know it!

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Sincerely



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