THE Neal Spelce AUSTIN LETTER

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Dear Client:

If you're going to be around the Austin area in 20-40 years, get ready to deal with 1.25 million *more* people than are here now. Plans for dealing with that growth will be unveiled in just a few months.

As we've regularly pointed out, the **Austin area growth spreads way beyond the Austin city limits**. In the five-county metro area, residents of Travis, Williamson, Hays, Bastrop and Caldwell, move daily across county lines for work, recreation, shopping, etc. This condition intensifies with each passing month. So any planning for growth must include all five counties.

For the first time ever, a group called Envision Central Texas (ECT) is **focusing on growth in the five counties – as an integrated group**. Composed of individuals representing businesses, civic organizations, developers, elected officials, environmentalists, mass transit, roads and neighborhoods from all five counties, ECT has been at work since last summer.

Starting first with focus groups and telephone surveys of residents in the five counties, ECT determined Central Texans are most concerned about **transportation**, **school quality**, **unemployment** and **health care**, and that 90% of those surveyed believe a regional plan for addressing growth is needed.

Then workshops were held to explore development options and their consequences, using a variety of planning elements — including **roads**, **shopping and business centers**, **housing types** and **neighborhood developments** – to create growth strategies for the region.

The planning process calls for unveiling four possible growth scenarios this fall for the 5-county metro area. "Rather than presenting a master plan, the ECT process lets us examine different possible future scenarios and **choose actions that will move us closest to the vision of the future** we'd like to see for our region," said **Susan Dawson**, the Greater Austin Chamber of Commerce rep on ECT.

"We can look at the **real costs and benefits** of different planning and development options in terms of transportation, air quality, physical infrastructure, etc.," Dawson said. "Then we can **avoid many of the emotional battles of the past** if we collectively make decisions based on real costs and real benefits to our region."

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From the macro to the micro, what about the Main Street of Texas – downtown Austin's Congress Avenue – that is at the heart of our 5-county metro area?

What are the keys to moving Downtown Austin to the level of a world-class city? Tick 'em off. Incentives. Intent. Cooperation. Multi-cultural. Mixed-use. Aggressive Management. Creative marketing. In other words, this is what it is going to take to recruit and retain retailers along Congress Avenue and throughout downtown Austin, according to a nationally known urban retail planner.

The objective for downtown would be to give all kinds of people all kinds of reasons to spend time downtown and return to spend more. According to **Tom Moriarity** with Economics Research Associates, retail is the last piece of the downtown Austin development puzzle. But, he says the road to retail riches can be a long and costly one.

He says cooperation among property owners must set the stage to **create attractive new activities for downtown**, by understanding changing market demographics and behaviors. He says mixed-use developments need to be created downtown and this requires cohesive management and creative marketing.

Moriarity says shoppers need to be drawn away from mass merchandisers and malls and given repeatable reasons to go downtown to shop. And he points out a mix of both everyday and unique retail opportunities is needed.

Based on his work with downtowns throughout the country – including Portland, Providence and a current project in Lower Manhattan where the Twin Towers once stood – he says **Austin has many of the necessary assets to realize this objective**. He cited restaurants, entertainment, cultural activities, museums, residential and a commitment to developing various retail districts as examples.

But, he says the planned 2nd Street Retail District is not the end. He suggests it be considered as the beginning of what needs to be a **collective community effort to prime the pump in re-establishing retail in downtown Austin**. By the way, Moriarity used to come to Austin from Temple when he was growing up, to shop downtown at Scarbrough's Department Store at Sixth and Congress. He also is a graduate of UTAustin's School of Architecture.

Speaking of downtown, you can look for some sidewalk improvements to interrupt pedestrian traffic this fall.

Five million in bonds that were approved in 1998 will fund the scheduled sidewalk improvements. Thirteen projects are scheduled to begin in November.

Yes, unemployment in the Austin metro went up in June compared to May. But it always does, due to summertime jobseekers. The important stat is that unemployment went *down* compared to the same period last year.

As we told you 6/27/03: "You can expect the Austin metro unemployment percentage to go up in June, because as usual, even more workers flood the market seeking summer employment. So don't be alarmed when you see the rise over May. Check out how June compares to June 2002. This will give you a truer picture of Austin's return to economic vitality."

Okay, here's the check. June 2003 unemployment was 6.2%. Last June it was 6.4%. **The drop is continuing good news on the job front**. The state average, by the way, was 6.4%.

No other major Texas metro had a lower unemployment percentage than the Austin 5-county area. The June 2003 comparisons: San Antonio, 6.2% … Fort Worth-Arlington, 7.1% … Houston, 7.6% … Dallas, 7.9% and El Paso, 10.5%.

The wait is underway to see if the recent run-up in home mortgage interest rates is temporary or sustained. But, despite the dire headlines ("Rising Mortgage Rates May Be Ominous Sign"), cooler heads point out mortgage rates are still lower than they were a year ago.

Mortgage rates have climbed about a half-percentage point from what some were calling "rock-bottom rates" about a month ago. Admittedly, **the move-up was surprising** – catching those who watch these swings daily, such as mortgage bankers and economists, a bit off guard. And they have adopted a "wait-and-see" attitude, rather than predicting a further run-up or a dip downward.

But take it where it is today, and you still have a **very healthy situation for those who are in the purchase market**. And Realtors have told us there has even been an increase in the last few weeks in the number of serious buyers nosing around the Austin housing market.

Mortgage rate increases sometimes prompt a flurry of activity as **homebuyers rush to lock-in low rates before they ratchet even higher**. If this is what is happening, then you could see what may have been protracted negotiations between buyer and seller move a little quicker — as they look back over their shoulder at the interest rate factor.

While no one is willing to go out on a limb and forecast a continued rise or a dip back in the short term, **no one is yet suggesting that a *steep* climb in mortgage rates is imminent**. In other words, *if* rates continue to rise, they feel it would be a gradual ascent.

Gasoline prices at the pump have stayed steady – even rising a bit in some places – as the summer vacation season rolls along. So, where's the outcry?

The reason there may be no mass concern about gasoline prices is drivers may be coming to the realization that the **price of gasoline and oil isn't really the best measure of what it costs** to drive your buggy to and from work or on trips. In fact, the price of gas and oil – as a percentage of the costs to drive your car – is less than it was way back in 1980.

The American Automobile Association (AAA) put the numbers to it and came up with a comparison of what it costs you to own and operate an automobile today and what it cost you in 1980. Forget about gas and oil. **The increase in costs for owning and operating can be laid at the feet of insurance and depreciation.**

AAA reports the average cost of owning a car in 1980 was $3,176 a year – or 21.2 cents a mile if you drive 15,000 miles a year. Of that total, you paid 5.9 cents a mile for **gas and oil**, or **27.9% of your driving costs**. In 2002, the average annual cost for your auto was $7,533 or 50.2 cents a mile. The same 5.9 cents went for gas and oil, or **only 11.8%** the cost of driving your vehicle.

There are several ways to look at this. If you look at it one way, you see why buyers of trucks and SUVs may not be fazed by the arguments about gas guzzling. The relative price of gas and oil is diminishing as a cost of operation. **SUV and truck buyers apparently just don't care about the price of gasoline, because it is a relatively small part of the operation of the vehicle.** This could be one of the reasons why you see so many SUVs and trucks on our roadways. And the number is increasing, with no sign of a sales letup.

Dr. Louis Overholster freely prescribes moderate quantities of wine for his patients because of the benefits for the heart. But he had some good news/bad news for one of his patients this week: "I have good news for you. If you drink one glass of red wine a day, it can help prevent a heart attack. But the bad news, in your case, is that you're already protected to March of 2022!"

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Sincerely

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