

THE

*Real Estate*

# AUSTIN LETTER

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Dear Client:

**When some talk about the “Dog Days of August,” they are not simply referencing the heat. They’re talking about taxes – your taxes – that could rise as quickly as the temps this month.**

You dodged a tax bullet a couple of months ago when the Texas Legislature adopted a two-year *state* budget, covering services for a growing population, with no new taxes – in spite of one of the worst financial situations in recent years. However, the odds are **your wallet is going to be hit with a double-barreled local tax volley** within the next few weeks.

The Travis County Commissioners Court and the Austin City Council are both in the throes of budget talks trying to finance governmental services for the next budget year, in face of declining revenues at the same time the population they serve is growing. **But you don’t hear a majority of Commissioners or Council members committing to holding the line on tax revenue.**

To their credit, the two governing bodies have instructed staffs to slice and dice where they can. And they have. But, for instance, the **budget proposed by the City staff still calls for a tax increase** (\$58 per year on an average \$175,000 home) **and a hike in water, wastewater and drainage rates. The County staff is also proposing to increase the tax burden on the average home.**

Yes, the city and county are making tough choices about cutting services and costs. But neither governing body’s staff has cut enough to keep from raising taxes. If the proposed budgets are enacted, **it will be especially onerous on homeowners.** And, it’s not just the fact the tax burden will be increased.

The proposed tax increases are coming at a time when the median family income is *declining!* According to a study by the Real Estate Council of Austin, **the median family income dropped nearly 6% just since the first of the year.** Income had gone up by 9.8% in 2001 and 9.9% in 2002, but now income is plummeting.

There are those who feel the **Legislature set the example for tax policy during a downturn.** The Travis County Commissioners Court hears its proposed budget at 11:30 am, Monday, 8/11/03. The City Council will hold several public hearings during the next few weeks. It will be interesting to see how the local elected leaders tax actions compare to those at the state level.

**It's hard to believe during this, the hottest week of the season, that ice is responsible for the delay in completion of a portion of the north US183 freeway until 2004.**

The ice storm last February only impacted your travel for a couple of *days*. But it slowed the freeway construction project on north US183 by *months*, according to the Texas Department of Transportation (TxDOT). So, instead of opening up for traffic by the end of this year, **it'll be the first quarter of 2004 before you can take the high road to and from Cedar Park.**

How could that be? According to the assistant project manager, **David Cox**, the deep freeze and icy conditions did more than delay construction work for several days. **The ice settled into the heavily compacted soil and asphalt base course, damaging both.** The freezing rain, and later the melting runoff, soaked into the road base and sub-base.

As temperatures dropped, the water expanded and broke-up the soil and asphalt. As a result, **sections of the previously completed work had to be torn-out and re-done.** This isn't the only reason for the delay. "The last seven months have seen delays from rain, especially in December, February, May and June," said Cox. "But the freeze was the worst."

Cox said the contractors could begin laying the final course of concrete for the main lanes before fall, and finish by New Years, with that famous qualifier, "weather permitting." The finishing touches, including barriers, signs and lighting, will take another two or three months. **This would let you zip along the new freeway by next spring**, even though additional work on the frontage roads and landscaping could continue on a little longer.

**When UT Austin football players reported for practice this week, it was your signal to get ready for the "invasion" of students. This is good news for many merchants and apartment landlords, but bad news for drivers — as student's cars start clogging the roadways.**

If you're not a rabid follower of Longhorn football you may be surprised to learn the first home game – sure to be a sellout – will be **before Labor Day and on a Sunday to boot.** Plan your schedule accordingly (traffic patterns, restaurant reservations, etc.) around the 6pm, Sunday, 8/31/03 start for the game with New Mexico State at Darrell K. Royal-Texas Memorial Stadium. Labor Day is the next day, so it falls in the midst of a long holiday weekend.

Even though you may cuss the longer lines at your favorite restaurant (if it happens to be a favorite of UT Austin students), or complain about the traffic, the annual fall influx will be a welcome boost to our economy after the summer doldrums. We won't know the official enrollment numbers until a few weeks after classes start, but you can bet **the student total will hover around the 50,000 mark** – making this the largest single campus population in the US.

**Two more retail operations, with a decidedly Italian “flavor,” are opening here in Austin. And while the local operations will be small initially, each is significant in its own way.**

The first to open its doors will be Babbo’s Café, a high-quality **manufacturer and retailer of premium Italian coffee and gelato**. It’s taking over the space in the 26 Doors Shopping Center (1200 West 38<sup>th</sup> St.) formerly occupied by CC’s Coffee. Babbo’s owner, **Matthew Lee**, anticipates opening another store in the Austin area soon and has plans to expand into select Texas and national markets.

Babbo’s Italian gelatos are **made fresh daily in the store** by trained Italian gelatai. Each day’s flavors will be chosen from a collection of more than 175 traditional recipes. Babbo’s coffee is imported directly from what Lee calls “the finest roaster in Florence” and is offered exclusively in the US at Babbo’s.

Italy’s largest coffee roaster is opening **only its third American location** in Davenport Village Shopping Center (3801 Capitol of Texas Highway) in late summer. The other two locations are in Miami and San Francisco. Segafredo Zanetti, based in Bologna, Italy, owns 300 outlets in 30 countries and says it is the number one espresso producer in the world.

Segafredo Zanetti has roasting plants in Italy, Brazil, Austria, Finland, France, Poland and The Netherlands. The company also owns one of the largest coffee plantations in Brazil and one of the world’s largest makers of espresso machines, La San Marco.

Segafredo Zanetti will offer Austinites a European experience, as a place to gather, relax and enjoy **sipping fine coffee and wine**, while enjoying such delicacies as **homemade chocolates and sugar straws**. By the way, both these operations secured their locations using the services of Austin’s NAI Commercial Industrial Properties.

**Some changes are coming to the security procedures at Austin-Bergstrom International Airport, and when completed, should make it a bit easier for you to catch your plane.**

The checked-baggage screening equipment temporarily installed by the Transportation Security Administration (TSA) in the ticket lobbies will be moved to the more secure baggage handling areas in the terminal. This should **cut down on the overcrowding** when you first arrive to catch your flight.

Once construction is completed, you will no longer carry bags from the ticket counters to the nearest available bag screening machines. Instead, **airline agents will simply place your bag on a conveyor belt when you check your luggage**. The cost: \$12,375,000. The tab will be picked up by the Federal Aviation Administration and the US Department of Transportation.

**As you drive along Toro Canyon Road in West Lake Hills and look up at the mostly obscured modern mansion on its own hilltop, you're looking at the residence of the 8<sup>th</sup> most powerful person in American business.**

Oh sure, you've heard all about the massive *wealth* of **Michael Dell**, but more *powerful* than long-established and recognized captains of US industry such as IBM's **Sam Palmisano**, Intel's **Craig Barrett**, Bank of America's **Ken Lewis**, Viacom's **Sumner Redstone**, Merrill Lynch's **Stan O'Neal** and Cisco's **John Chambers**, to name just a few? That's the conclusion drawn by the editors of *FORTUNE* magazine.

While listing "The 25 Most Powerful People In Business", the magazine said Dell "exploited the Net and just-in-time manufacturing to fundamentally reshape a commodity business." It went on to say the 38-year-old Austinite "has proved that anything his competitors can do, he can do cheaper." (This may be why he ranks above IBM's Palmisano and Hewlett-Packard's **Carly Fiorina**.)

The respected publication further commented: "Dell – whose net worth is estimated at more than \$17 billion, making him by far the richest self-made American under 40 – sells more PCs and workstations than anyone else. **No wonder his methods are studied across industries and around the world.**"

So, who is #1? No surprise, it's Berkshire Hathaway's **Warren Buffett**. He is followed at #2 by Microsoft's **Bill Gates** and, in order, Wal-Mart's **Lee Scott**, Citigroup's **Sandy Weill**, News Corp.'s **Rupert Murdoch**, Exxon Mobil's **Lee Raymond**, General Electric's **Jeff Immelt** and then Michael Dell. Pretty heady company for a guy who drives from home in West Lake Hills every day to go to work in Round Rock, Texas.

Speaking of success, **Dr. Louis Overholster** likes to tell his patients to work 70 hours a week, eat at your desk and skip vacations. He suggests you can get along on four hours of sleep each night. And pretty soon, he says you'll have enough money saved – to pay for that heart attack!

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Sincerely



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