THE Neal Spelce AUSTIN LETTER

www.AustinLetter.com

P.O. Box 1905 / Austin, Texas 78767-1905 / 512-498-9495 / Fax 512-327-1976 / e-mail **News@AustinLetter.com**

Volume 25, Number 25

September 19, 2003

Dear Client:

You hear a lot about how the top 1% pay most of the taxes. So how much wealth does it take to reach that threshold? And how do those who have it, get it?

Well, for starters, it takes a lot more net worth now than it did just a few years ago – in spite of fortunes lost during the recent market downturn. Just by their very nature, and how they are compiled, there is a lag time in reporting national income figures. But we have the latest available numbers, courtesy of Dallas financial writer **Scott Burns** (www.scottburns.com).

The median net worth of families headed by people in their 50s who are in the top 1% of wealth increased from **$5.79 million in 1998 to $9.05 million in 2001**. To save you from grabbing a calculator, this is an **amazing increase of 56.3%** in this three-year span. If you think back, the stock market had already started crumbling in 2001, so how did the net worth of the wealthiest manage such a healthy increase?

"A lot of that comes from high-income people saving a lot of money," said **Bill Whitt**, who directs research for a Washington group that studies high net worth individuals for financial services firms. Whitt also told Burns that for top-income earners, the **stock market decline "almost doesn't matter, they save so much**." So the rich *do* keep getting richer.

Burns asked Whitt if anything else in particular struck him about his studies of this nation's high-incomers. "Oh, yes. Look at those numbers. They tell you **one family in 10 will be worth a million dollars! That's a lot of millionaires**." Burns liked this point, noting "it tells me we're one tough country, with an economy to match."

He continued with a prizefighter's analogy: "Collectively, we're still in the ring. We never got out. We never fell. We may get hit – even stunned by a blow like 9/11 – but we're more than standing."

So, what does it take to make the top 1%? "Membership in the top 1% is usually limited to people who own a business or have inherited wealth. That's the way it is," Burns observes. "We talk a lot about saving and investing to accumulate wealth, but **the blunt fact is that you need to own a business to accumulate major wealth** – the kind owned by the top 1%."

If the 5-year Economic Development Roadmap for Austin (**unveiled this week**) **is followed**, **you – the nation and the world – will see a different view and perception of the Austin area**.

In order to create 72,000 jobs and a $2.9 billion aggregate increase in payroll in five years (the stated goals of Austin's Economic Development Strategy), a major marketing program for the Austin area must be implemented. This means a **major** "**re-branding**" **effort**.

It's no news to you that Austin's economy has suffered dramatic losses in employment and income during the past few years of the downturn. We experienced the lowest population growth rate – 2.0% in 2002 – since 1989, and the **first decrease in per capita income since 1987**. So, with the financial support of the Real Estate Council of Austin, the Greater Austin Chamber of Commerce (GACofC), this week detailed a 5-year plan to "rejuvenate Austin's economy, create jobs and enhance our region's wealth."

To accomplish these goals, the study says **a new identity is needed for Austin**. Austin is still skating along on past efforts (still ranking high on a number of "nation's best" lists), but Austin has been on the sidelines of the economic development playing field for the past few years – while other competitive cities have been spending money like drunken Arkansas fans after a victory over Texas, wooing jobs. The aloof, disinterested image exhibited by Austin in the past few years needs to be changed, according to the report.

Therefore, the study recommends creating a **four-year marketing plan** that will include all elements of an external campaign, and will combine Chamber staff activity, placement, travel and volunteer involvement into one program. This **multi-phase**, **multi-channel campaign** will publicize the Greater Austin area's re-entry into the economic development arena.

"The challenge is to develop a **consensus vision for marketing and recruitment** strategies and hit the ground running to sell the Austin 'brand' to the relocation community," points out Market Street Services, the company hired to draft the roadmap. In other words, the word must get out that Austin is back in the economic development game.

After all area economic development constituencies come up with this consensus 'brand' for the Austin area, then the implementation process will begin. This is where you and the rest of the world will see a 'new' Austin. There are plenty of tools to be used to accomplish this. For instance, a dynamic, state-of-the-art, **informative new Website** needs to be created for the GACofC – even to the level of setting up a "**stand-alone** '**Market Austin**' **portal** as a point of first contact for site selectors and relocation specialists researching Austin online."

As part of this effort, the Chamber needs to re-position itself and add economic development staff capacity. This is where a large chunk of the $11 million fund-raising effort will be spent.

If you bought a new home in the Austin area recently, you are among the most satisfied homebuyers in the nation.

J. D. Power & Associates, the company that built a national reputation conducting independent customer satisfaction surveys throughout a wide spectrum of businesses, recently surveyed **buyers of new homes in 21 major cities** around the nation. And Austin customers are about as pleased as any new homebuyers in the nation.

> **Austin ranked #3 in the nation** in J. D. Power's customer satisfaction index, with a 115 score – close on the heels of #1 Phoenix (118) and #2 Las Vegas (116). Austin area homebuilders can take a great deal of pride in this standing.

Tucson (114) and Dallas-Fort Worth (113) fell in right behind Austin. By the way, **the least-satisfied buyers were in Fort Lauderdale, FL**, with the lowest ranking of 91. Washington DC and Philadelphia carried an index of 100, according to Power.

The good news: downtown Austin recorded a positive absorption of office space in the last few weeks. The bad news: it will go the other direction before year-end.

How can that be? Well, the sparkling new "crystal tower", the Frost Bank Building at 4th and Congress, will be completed before year-end. This will not only put more available space on the market, but a number of tenants already signed up for the Frost edifice will vacate their current downtown space to move into the new digs.

You've noticed the economic reports. The economy is recovering, productivity is up, the stock market is rebounding, etc. But jobs are not keeping pace. Austin appears to be running counter to the jobs trend.

Once again, the latest unemployment numbers, August 2003 released this week, show Austin's unemployment dropping – again. **The rate in August for the Austin metro area was 5.6%** — low and dipping lower. A year ago in August it was 5.8%. The State of Texas in August 2003 tallied 6.7% unemployment, Dallas came in at 7.1%, Fort Worth-Arlington, 6.4%, El Paso, 9.8%, Houston, 6.9%, and San Antonio the same as Austin, 5.6%.

It's a good showing for the Austin area and it continues a **trend that is pointing in the right direction**. As we told you 8/22/03, July's unemployment was 5.9% (compared to July 2002's 6.2%), and June's tally was 6.2%, compared to June 2002 of 6.4%. The Austin trend is positive year-over-year – and leads the state's big metro areas. All in all, a good sign. We'll check out September's totals to measure the impact of state employee cutbacks.

You've read the responses of the faculty, regents, sports media columnists – just about everyone who has an opinion – to the murder of a Baylor University basketball player and the emerging scandal presided over by controversial president Robert Sloan. But, how about the influential alumni? Have they played a role? You better believe it.

You may have noted Baylor president Sloan last week got a rousing 31-4 vote of support from Baylor's Board of Regents. This came after the Faculty garnered headlines with a "vote of no confidence" in Sloan, who had riled some academics with a 10-year reform plan that preceded the firing of the basketball coach and athletic director, following the player's slaying.

But were the influential alumni, the fount of flowing dollars to the world's largest Baptist university, silent? Nope. **They made their feelings known loud and clear** – and in no uncertain terms. The 31-14 vote by the regents reflected their support for Sloan. Want an example?

Consider Austin Baylor alum **Harold E. Riley**. He was responsible for securing the first million-dollar gift in Baylor's history. "Since that time, I have given millions of dollars to Baylor; and, presently, have an outstanding commitment to give an additional $15 million," said Riley in an open letter to alums and friends.

How deeply does he feel about the situation? "You may be certain, should President Sloan resign, or the regents determine he is not Baylor's 'Man of the Hour,' **my pledge to give Baylor millions now, and tens of millions through a Foundation, would be immediately withdrawn**."

Riley, an insurance company exec, says he is convinced Sloan and the regents "have absolutely created and presented to us the best business plan in the 158-year history of the University." Apparently Riley, and others like him, were heard quite clearly this past week.

Speaking of college, **Dr. Louis Overholster** says there are two steps to take when you send your kid to college: 1) win the lottery, and 2) hope it will be enough!

Sincerely

Neal Spelce

Editor/Publisher

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for $150 (plus tax) per year or $249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 1407 Wild Cat Hollow, Austin, TX 78746. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.