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Dear Client:

**“You are exactly right... the Austin City Council blew it.” This is the view of a member of the Council that ten years ago failed to give sales tax incentives to Dell and Dell moved out of the Austin city limits to Round Rock.**

After our story last week, CPA **Ronney Reynolds** (who served on the Austin City Council from 1991 to 1997) e-mailed us: “I tried hard to get the council to agree to rebate a portion of the (sales) taxes collected.” The issue was simple. Dell was already a growing force as a PC manufacturer and needed to expand. **Round Rock offered to rebate, for a while, a portion of the sales tax it would collect off Dell’s sales to Texas customers.** Austin didn’t match the offer and Dell moved its HQ and major operations out of Austin to Round Rock.

As we reported 10/24/03, Round Rock’s mayor said 48% of the city’s sales tax collections came from Dell. That would amount to a whopping \$18,269,794.69 so far this year alone. For 2003’s first three quarters, **Round Rock’s sales tax revenue increased 17.31%, Austin’s dropped 5.97% — a slippage of \$5,505,987.** Think how the Dell sales tax dollars would help Austin’s current fiscal crisis.

Dell wasn’t looking just for cash to put in its corporate pocket. “If I remember correctly,” Reynolds told us, “the rebate was to be used for infrastructure around the plant and workforce development.” Reynolds said ten years ago the Austin City Council was warned by city staffer **Charles Curry** that, even though city sales tax revenue was rising, *Austin’s portion* of the area’s sales tax collections was declining. “He was expressing a fact,” said Reynolds, “and **the Council could not see that their policies were driving the sales tax out of the city. Now that we have a crisis, we should have listened. Some of us were.**” Reynolds said the driving force to prevent Austin from offering the rebate was the City Manager at the time.

“This issue may raise its ugly head again when we start talking about retail operations and big box stores. I don’t know that I like big boxes,” said Reynolds, “but I do know that **I do not like taxes going up and services going down.**”

He sees this as hard-earned history lesson . “Decisions that we made ten years ago are starting to have an effect on us,” he observed. “Just like the decisions right now will have an **effect on us in another ten years and these council members will be gone.** I sure wish we could elect some people with vision on the council; people who can see 10 and 15 years down the road.”

**With the advantage of hindsight, a two-term Austin City Council member remembers two other economic development decisions that did not go Austin's way.**

The two decisions referenced by CPA **Ronney Reynolds** that, if they had gone Austin's way, would have greatly enhanced revenue to the City of Austin and businesses and workers who profit from "clean industry" known as tourism. In both instances, Reynolds said a conscious decision was made – not necessarily by direct City Council action, but by voters or leaders at the time – **not to pursue the opportunity** when it was presented.

The first occurred a long time ago. It was little known at the time, and probably long forgotten by just about everybody else since then, but Reynolds points out **Austin was the first choice as a location for the hugely popular theme park attraction known as Sea World.**

When objections were raised about impact on Austin's water usage, traffic and congestion, **Sea World executives simply closed their briefcases and went down IH35 to San Antonio** where they were welcomed with open arms. Sea World's economic impact on Santone's tourism revenue (even acting as a catalyst for other job creators such as hotels and support businesses) is unquestioned.

The other decision was more recent and involved a bitterly contested election. Austin voters decided they **didn't want the City of Austin to financially support a professional baseball team and field.** You know what happened. Once again, Round Rock city leaders stepped up to the plate and offered a portion of hotel room tax revenue as a catalyst to build what is now the Dell Diamond – home to the Round Rock Express (soon-to-be AAA) pro baseball team.

The baseball team has set national attendance records (even when the team had a losing season). The Dell Diamond is used for civic and community events other than baseball games, hotels have sprung up in Round Rock up-and-down IH35, and **Round Rock is gaining sales tax, property tax and hotel room tax revenue to spend on city services** – all as the result of the City of Round Rock stepping up when the City of Austin struck out.

Interestingly, in these three examples (including the Dell HQ in the previous story) Austin had a shot at hitting a home run. In the two cases cited in this item, Austin had the first at-bat. In the previous, it came to the plate with the bases loaded because Dell was already in Austin and, reportedly, really wanted to build here. But, instead of three home runs, for a variety of reasons, it was three strikes and Austin was out.

These little history lessons are important to consider at a time when Austin city officials are on the verge of making decisions that could also have **long-term impact on the economic vitality of the City.** Of course, decisions like this come up all the time, but as you'll see in the next item, the current situation is giving rise to widespread concern in the business community.

**There is about a month left in the 45-day Austin City Council moratorium on approving large-scale retail development over the Austin part of the Edwards Aquifer. What happens at the end of that period has business organizations concerned.**

The large-scale retail establishments are often called “big boxes” because such companies as Wal-Mart, Target, Home Depot, etc. typically build these box-looking edifices. Widespread controversy has erupted over planned “big box” construction in Austin and in some suburban communities as well. **The complaints in Austin have centered on impervious cover created by these behemoths over environmentally sensitive areas.** Around Austin, traffic and congestion also figure into the debate about approval of such enterprises.

The Greater Austin Chamber of Commerce, the Capital City African-American Chamber of Commerce, the Greater Austin Hispanic Chamber of Commerce and the Real Estate Council of Austin want the City Council to include certain items in the ordinance affecting large-scale retail construction projects.

They want to ensure regulatory consistency with a clearly defined objective, providing a “level playing field” for all businesses. They want the Council to commission a detailed economic impact assessment to **determine how the ordinance will affect the economy** – a study required by the Austin Code of Ordinances. Additionally, the organizations are asking that the ordinance be evaluated in the context of the law on “takings” – a body of law limiting restrictions on landowners’ use of their property.

The business groups, in a joint letter to the Austin City Council, pointed out that Austin has suffered through a prolonged economic downturn and the business community is struggling to create jobs while the city deals with a continuing fiscal crisis. The letter concluded: “we are confident that we can work together on this important issue to ensure that **economic investments continue to flow into the region, while being sensitive to our environment.**”

**After six months of struggling to ease past the totals of 2002, passenger traffic at Austin-Bergstrom International Airport in September finally surpassed activity of a year ago.**

It’s been a middling sort of year for one economic indicator in Austin – air travel traffic. In fact, for five months during 2003, the amount of passenger travel in Austin was less than 2002. But, there was a **possible breakthrough in September** – and, if you pull for the economy to pick up even more, you would like for this to be the beginning of a positive trend.

Year-to-date since January, the passenger traffic totals are still 1% less than the same period last year. But **September’s healthy 5.56% increase over September 2002**, could be a step up on the long climb to surpass the Austin traffic record set during the economic boom year of 2000.

**The wildfires in California and the report this week about fire dangers in the Silicon Hills of Austin have prompted a suggestion from one Central Texan about one way to be prepared.**

The big problem area in Central Texas is the heavily wooded area roughly between Loop1/ MoPac and Lakeway – and north and south in that area, over the rugged hills. The **cedar/ juniper trees** that are predominant here are similar to some of the trees dotting the Southern California hills. And **they burn quickly and easily**. So, what to do – especially if you're outside the Austin Fire Department's jurisdiction, as is most of this area?

**Michael InMan**, who lives in a rural area near Dripping Springs, has a solution. He bought a **\$500 pump, about 100-feet of power hose, and a 1,500-gallon tank from a feed store to collect rainwater runoff from his roof**. He did this after a wildfire came within a mile of his home several years ago. And it's not just for his homestead. Since water trucks used to fight fires in rural areas can only carry about 300 gallons, he helps his neighbors when they have problems by filling five trucks with his water.

He has another suggestion for the more affluent homeowners in those high-dollar hills, where fire protection is limited at best. Many of the homes in the high-risk area have swimming pools. He suggests those homeowners simply shell out \$500 for a pump and get a power hose and be prepared to **pump the water out of their pools to spray down their home and surrounding landscape** in the event of a wildfire. And if you're thinking about putting in a pool, he says it's cheap "insurance" to simply add the minimal cost for the pump and hose to your pool investment.

His suggestion could help offset the sometimes inadequate **volunteer fire departments** charged with protecting much of the high-risk area in western Travis and Hays Counties.

**Dr. Louis Overholster** has a healthy outlook on life. For instance, he says "I don't panic when I get lost. I just change where I want to go!"

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