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# AUSTIN LETTER

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Dear Client:

**What's this? Austin is ranked #1 as the "best place in the US to live and make movies?" Ahead of #2 New York City? That's right.**

The national *MovieMaker* magazine that reports on "the art and business of making movies" is out with its annual rankings of the Top Ten cities for moviemakers and Austin (ranked #4 last year) tops the list, ahead of New York City.

**"If this weren't a town which serves \$65 cocktails and \$50 hamburgers, New York City might well be number one on our list,"** the editors wrote. "But New York City can be expensive, and because of that cold, hard fact, it can be a tough place to live and pursue an independent film career."

The best place to live *and* make movies is the key. And Austin stands out. "If it's not careful, Austin may wake up one day to discover **it's become the new Mecca of American moviemaking,**" gushed the mag. "Or has that day already arrived?"

"Inching up on our list for four years in a row, it seemed only a matter of time before the City of the Violet Crown wrangled the top spot. **What's so amazing is that Austin is still in its indie film production infancy,** at least compared to long-established moviemaking megalopolises like Los Angeles and New York," the magazine observed.

*MovieMaker* reviews the litany of six major feature films made here last year for more than \$200 million — such as *The Life of David Gale* and *The Alamo* (set now for a 4/9/04 national release date) — and notes the presence of such nationally-renown moviemakers as Austin's **Robert Rodriguez** and **Richard Linklater**, as well as highly praising the Austin Film Office, Austin Film Society, Austin Studios and the Austin Film Festival.

Then it zeroes in on the costs to shoot a movie here. "Financially speaking, Austin has additional benefits, like **no permits required** to shoot in the city," *MovieMaker* pointed out. It also mentioned **tax incentives**, free or greatly **reduced housing rates** for location scouts and decision-makers considering Austin. Interestingly the report made no mention of the ambitious **Burnt Orange Productions, a new private-public filmmaking partnership at UTAustin.** If this enterprise is successful, as predicted, it can only bolster Austin's moviemaking reputation.

**The slowdown in Austin's airport travel since 9/11/01 has obviously had a current economic impact. Importantly, it will also have a long term effect on the airport's future expansion.**

Austin-Bergstrom International Airport (ABIA) is an economic engine all its own, even as it reflects the state of the economy through the numbers of business and leisure travelers who pass through its gates. The Texas Department of Transportation (TxDOT) estimates **ABIA supports about 35,700 jobs in the greater Austin area** and contributes nearly \$1.9 billion in annual economic activity.

ABIA has struggled financially, as have many other businesses, since 9/11. "The economy is definitely the biggest factor in our continued financial health," **Jim Halbrook** from the City of Austin's Aviation Department, recently told the State Comptroller's office. "Travel is still fairly flat, and **the airport covers its own operating costs through revenue produced by travel.**"

But *operating* costs are only part of the picture. ABIA's budget is set up to make a profit. And any profit is put into a capital fund to build out the airport. "**When we can't put money into that account, it affects our ability to expand,**" Halbrook pointed out. This is why we need to be concerned about the long term.

When ABIA was designed, it included extensive plans for expansion. Drawings for new gates and additional parking are sitting in the architect's office. You may remember during the planning stage, the Austin area was growing at such a rapid rate, the projections for future airport usage were updated regularly. **There was a concern that construction on expansion could start soon after ABIA opened in 1999** – if the usage and Austin area growth continued at a nation-leading pace.

But that growth slowed substantially and the capital fund for future expansion likewise was impacted. Obviously, the sense of expansion urgency is no longer present. But those who look ahead into Austin's future know **another growth spurt is just around the corner**. This is one of the reasons you need to be kept updated on traffic at ABIA.

**Even though the airport's capital fund for expansion has been impacted by the slowdown in the economy, there are still millions of dollars being spent at ABIA.**

Those dollars are federal funds and are largely mandated by the more stringent security requirements. You've noticed the huge machines in the airport lobby. **The six baggage scanning machines (about the size of a Ford Expedition)** were just plunked down in the lobby – adding to congestion – to meet the Fed's deadline of 12/31/03. The design phase to move those clunkers out of the lobby and placed in line with the normal baggage conveyor system is getting underway this spring.

**One of the reasons Austin's bureaucracy is more bloated than most cities is because it oversees three enterprises that are normally outside a city's purview – the airport, the electric utility and a hospital. You'll get a chance to have your say on the hospital 5/15/04.**

You would be hard-pressed to find any major city in the nation that includes these three enterprises under **direct control of its elected governing body** – in our case, the Austin City Council. (When is the last time you had an electric utility expert, an airport expert and a hospital expert run for Mayor or City Council? Just asking.)

You'll get an opportunity in an election 5/15/04 to move the hospital enterprise away from the Austin City Council into another governmental entity, a Travis County Hospital District that would be created for this express purpose. You will hear a lot about the pros and cons of such a decision in the upcoming weeks (not the least of which is the creation of another taxing authority), but let's step back and look ahead a bit – minus those "issues of the moment."

Let's assume voters approve the creation of such a district for Travis County, as has been the case in most major metro counties in the country. Is this all there is to it? Not by a long shot. **Assuming approval, over the next few years you will see a major push to add adjacent counties to the District.** In other words, even though residents of Williamson, Hays and Bastrop counties (to name just a few) won't be able to vote in the election, they have much at stake in what could follow.

Will that be labeled a power grab? Not necessarily. Proponents will label the effort an **economic necessity**. If you are a tax-paying resident of the City of Austin, you are paying for the indigent and emergency health care of residents of those outlying counties right now.

Consider this overwhelming statistic: **nearly one-half of those patients using the emergency room and trauma treatment centers at Austin-owned Brackenridge Hospital live outside Travis County.** And this doesn't take into account those who live in the county but outside the city limits. Also, one-fourth of those who utilize Brackenridge's Children's hospital live outside the county.

One final stat: about one-fourth of the residents of Travis County don't have health insurance, so they go to Brack's ER. **Most of them are treated for free, as indigents.** And, remember, residents *outside* of Austin, but who live *inside* Travis County, are not taxed for the hospital.

The future picture is clear. **If the hospital district is approved, you will see a concerted effort on several fronts to include outlying counties within the district.** It is by no means a foregone conclusion those efforts will be successful. After all, it is difficult to get people to levy taxes upon themselves. And there will always be those who are looking for a "free ride." But the 5/15/04 election is much more than just an election for Travis County.

**Besides the building cranes looming over the area, have you noticed some of the more minor changes taking place in downtown Austin – changes that enhance the character of the area?**

One of the cosmetic changes easy to spot is the face-lifting that occurred recently on the west side of the 300 block of Congress Avenue. In the past, all four buildings had been painted one color and Austin Angler, Ginny's, Manuel's and La Traviata seemed to blend together.

**Each building has now been given a distinct color** helping show off these long-time favorite older structures on Texas's Main Street in a new light. But this isn't the end of the story. **Sidewalk dining is planned** once spring arrives and the temperatures warm up a bit. And there are plans to spruce up the parking lot in that block. **Alex Pope** and **Peggy Watt** were given kudos by the Downtown Austin Alliance for their work.

Nearby, just off Congress Avenue to the east, another historic building is moving next to the one of Austin's historic treasures, the **O. Henry Museum**. The Austin home of the heroine of the Alamo battle – the **Susanna Dickinson-Hannig House** – will reside permanently at Brush Square at 409 East 5<sup>th</sup> St.

The house, which will be on the National Register of Historic Places, was moved to make way for construction of the new Hilton Hotel, adjacent to the Convention Center. **The hotel contractor, Faulkner USA, spent \$650,000 for the storage, preservation and movement of the small home.** More money is still needed to finish the restoration and to turn the monument into a museum.

When completed, the two historic structures should **add to the cultural impact of the city** as well as act as a tourist magnet for that part of downtown Austin.

**Dr. Louis Overholster** said the first indication he had that jobs may be moving overseas (see our 2/20/04 issue) was when he phoned a computer hotline, the music played "My Wild Bombay Rose," and when the person came on the line, he told the good doctor he just got off a curry break!

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Sincerely



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