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Dear Client:

When you look for places in the Austin area that will be totally unrecognizable in dramatically different ways within the next few decades, look no further than close-in northeast Austin.

A decade ago, it was a bustling overcrowded airport. Since that time, weeds started growing around the site, amidst chunks of concrete runways that were ripped up to keep pilots from mistakenly landing at the **old Robert Mueller Municipal Airport** along IH35. But with plans already announced – and possibly an even bigger formal announcement in the future – the Mueller Redevelopment Project will be unlike anything you've ever seen in Austin.

The 709 acres are being transformed into more than **140 acres of parks, lakes and greenways**, while at the same time accommodating approximately 10,000 new residents in an urban setting of row-houses, yard houses, garden courts apartments and condominiums. There will be more than **3.8 million sq.ft. of commercial space that** could include build-to-suit office buildings, multi-family and hotel sites, and retail – lots of retail, in fact a 360,000 sq.ft. regional retail center.

This approach has a name. **It is called New Urbanism — an urban design movement that burst onto the US scene in the early 1990s, but is new to Austin.** New Urbanist neighborhoods are walkable and contain a diverse range of housing and jobs, with open space, appropriate architecture and planning to balance the development of jobs and housing. The New Urbanists believe these strategies are the best way to reduce time spent in traffic, to increase the supply of affordable housing, to rein in urban sprawl and elevate the quality of life.

The crown jewel of this ambitious development will be the Dell Children's Medical Center of Central Texas. At 500,000 sq.ft. on 32 acres at Mueller, it is three times as large as the current hospital. The Michael and Susan Dell Foundation is giving up to \$25 million to the \$200 million project, matching \$1 for every \$2 raised above the \$125 million being invested by Seton Hospital's parent non-profit organization.

Forecast: the hospital will provide the **linchpin for what could ultimately result in a full-blown medical school at UT Austin.** It'll be discussed for years before anything happens, but the rumblings are there that could ultimately see the UT Medical School in Galveston move to Austin. It's a big hill to climb, but key participants are already starting to scale the mountain.

Building a brand new city from the ground up near the core of Austin may take time, but it is moving along at a brisk pace.

Some streets have already been cut through the massive Mueller project in northeast Austin near IH35 and are now open to the public. The busiest activity is in the **northwest quadrant of the site**, near Cameron Road and 51st Street, where construction has already topped out on the Dell Children's Medical Center. Who are the key players in this pacesetting project?

Catellus Austin LLC is the master developer, chosen by the City of Austin (the old Robert Mueller Municipal Airport sat on 709 acres of city land). Catellus is in the process of selecting home builders for the Mueller community. The first Mueller homes will go on sale in fall 2007 and will offer an option for a diversity of people, with all kinds of lifestyles, in all price ranges.

Colliers Oxford Commercial is responsible for marketing commercial properties (non-retail). This includes office, medical office, multi-family and hotel. Colliers is well underway with this effort.

The Weitzman Group is handling leasing for the Regional Retail Center that Catellus is developing at IH35 and 51st St. Groundbreaking takes place this summer with some retailers planning to open for business in 2007.

The Seton Healthcare Network is developing the Dell Children's Medical Center. It also includes a Ronald McDonald House facility for families of children who are being treated in the hospital. The hospital opens in 2007.

Obviously in a development of this magnitude there are a number of other companies and individuals. But these are the core companies. This New Urbanist community combines a central location with a dense, yet pedestrian-friendly, environment. (See previous story)

Speaking of construction, if we don't have any major flooding before next summer, lives and property will be safer along the Highland Lakes and the Colorado River when a new command center opens for business in 2007.

A 35,000 sq.ft. **emergency management, public safety and river management operations center** is under construction by the Lower Colorado River Authority (LCRA) at the corner of Red Bud Trail and Lake Austin Blvd, near Tom Miller Dam. LCRA manages the six Highland Lakes and dams, operating them during floods to reduce the risk of property damage and loss of life. A centralized site chock full of advanced technology will help streamline communication and coordination within LCRA and with other local and state emergency management agencies.

Have you noticed something new in the air over Austin? A different mix of airplanes is flying in-and-out of Austin-Bergstrom International Airport (ABIA) these days.

A record number of passengers for May flew through ABIA in May 2006, but more and more of them were **flying fuel-efficient, smaller regional jets**. Back in the last century (before 9/11/01), practically all the aircraft taxiing down the ABIA runways were the big, lumbering kind – the 737s and the MD80s. Airlines were trying to cram as many passengers as possible into the jet fuel guzzlers. But no more.

The trend now is moving in a different direction. **Almost a third of the airplanes hauling Austin passengers are now the smaller, more efficient, regional jets** – the CRJs, the ERJs and the EMBs. Used primarily for short haul jaunts, the smaller jets are helping the struggling airlines conserve costs.

The exact ratio during May at ABIA: **About 63% of the scheduled flights were the big jets**, such as the Boeing 737s used exclusively by Southwest Airlines (44.50%), and the MD80s and DC9s favored by American Airlines (17.91%). Other aircraft, such as the much larger 757s, tallied a bit more than 7%. The regional jets made up a tad more than 30% (30.38%) of the flights during May.

Speaking of trends, you'll recall in our 6/9/06 edition we alerted you to the fact Delta Air Lines is quickly losing market share in Austin. Delta's passenger traffic was down a whopping 22.5% in April compared to April 2005. Well, this precipitous slide is continuing for Delta. Figures released this week show **Delta's passenger totals in May 2006 dropped even more, compared to a year ago – down a scary 24%**.

Delta's latest drop occurred, as we mentioned, during the most active May in ABIA's history. This rapid decline is even more pronounced when you look at Austin's Big Three: **Southwest was up 15%** in May, **American was up 10%** and **Continental was up 6%**. Total ABIA passenger traffic was *up* 9.5%.

What does this mean in actual numbers? **Delta carried only 45,994 passengers** in May 2006, compared to Continental's 87,024, American's 198,964 and Southwest's 261,393. It wasn't that long ago Delta was neck and neck with Continental, vying for 4th place in the Austin market. Now, look at Delta.

With a record – for May – of 736,007 passengers, what do the next few months look like at ABIA? If historical travel patterns are followed, **you are getting ready to face the most crowded month in Austin's airport history in July** (oh, joy, you say – just when I have some trips scheduled!). June will probably wrap up with more passengers flying through ABIA than in May. And July (always the heaviest air travel month of the year) should top June's tally. August and the rest of the year should taper off below May's total. So, if you're flying in July, be ready for the crowds and arrive at ABIA a little earlier than normal.

Democrats are optimistic about winning back control of Washington's legislative branch in the November elections. Here's a simple scorecard to follow as the rhetoric heats up.

The smallest numbers and therefore the easiest to follow are, of course, in the USSenate. The Democrats need only six seats to take control. **They have targeted eight seats held by Republicans** and feel they have winning candidates all lined up. In these times of turmoil and discontent, sounds easy, huh? Six out of eight? Not so fast. It's more dicey than it appears.

In alphabetical order, here are the eight seats to watch: Arizona, with Democrat **Jim Pederson** lined up against GOP incumbent **John Kyl**; Missouri, Democrat **Clair McCaskill** versus incumbent **James Talent**; Montana, **Jon Tester** takes on **Conrad Burns**; and Ohio, where Cong. **Sherrod Brown** contests **Mike DeWine**.

Also, Pennsylvania, where Democrat **Bob Casey Jr.** lines up against GOP incumbent **Rick Santorum**; Rhode Island, **Sheldon Whitehouse** against **Lincoln Chafee**; Tennessee, Cong **Harold Ford** versus the winner of the 8/3/06 primary (**Bill Frist** is retiring) and Virginia, where **James Webb** is running against GOP incumbent, **George Allen**. (Notice Texas GOP Senator **Kay Bailey Hutchison** is *not* on the Democrat hit list).

These are the races to watch. But the math is a bit more complicated than this indicates. Picking off six GOPers from the above list may be possible, but the Dems have 18 seats of their own to win. And of those 18, there are seven Dem Senators who have tough re-election battles. **So, while Democrats need only six seats to take over the Senate, they really need 13 victories out of this combination** – they have to go 7-for-7 in their own column and pick up at least six of the eight hotly contested Republican seats. This is a tall order. To make it easy to watch what happens, simply focus first on the eight targeted GOP seats listed above.

Dr. Louis Overholster saw where a team of baton-twirling children was banned from a Fourth of July parade because they were too slow. He said, "Slow? You want slow? Then, just let 'em march down MoPac at 5 pm!"

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