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Dear Client:

If you're looking for more elbow room, you're better off outside the Austin city limits, but if bumping elbows is your cup of tea, there are areas in Austin – other than downtown — targeted for high population density. And with 1.6 million *new* people predicted in Austin by 2035, these decisions become important for your future.

If you are value conscious, this decision needs to be made sooner rather than later. It is axiomatic that as the stampede of people moving to Austin continues, the pressure on prices for homes and land will continue to escalate. Does anyone doubt it will cost more to live in Austin in 2035 than it does now? And, of course, the **prices won't wait until that moment to jump – they will ratchet up regularly** (maybe with a few hiccups) between now and then.

All geographic areas will feel this pressure. But there are certain areas where the **power of city government will be used to concentrate nodes of population. Downtown is the most obvious.** While the city's population will double within 20 years, those who live in the Central Business District will more than double in number in the next *five* years, according to city projections.

Other elbow-bumping areas include what city planners call Transit Oriented Developments (TOD). There are *eleven* of these in the planning stages and the city is planning for **more than 35 people per acre** in each TOD. Additionally, the city is designating *43 miles* for Core Transit Corridors (CTC) and planning for **more than 25 persons per acre** in the CTCs.

There's more. Mixed-Use Activity Centers (MACs) are being developed on three scales with **15-25 people per acre *minimum***. MAC Examples: **Neighborhood Centers** of 10 to 125 acres (The Triangle in North Central Austin), **Village Centers** of 125 to 500 acres (West Campus, adjacent to UTAustin) and **Town Centers** of 500 to 2,000 acres (former Mueller Airport redevelopment)

To give you a perspective, right now there are only **8.4 persons per acre in the urban core and 3.7 within the city limits proper**. Those who choose a less crowded lifestyle are already voting with their feet and moving out (there are only 1.1 persons per acre in the ring between the city limits and the Extra Territorial Jurisdiction), with many grabbing up large acreage lots. But even there, the pressure is being felt with new developments moving mountains of dirt.

One of the main drivers of Austin area growth is a very robust job market. It is really amazing right now.

As recently as 2003, when the Austin metro was reeling somewhat from a downturn, area unemployment reached a peak of 6.7%. And Austin was still one of the best markets in the state in the unemployment statistics. But, now, **there is not a single market in Texas today with an unemployment rate this high.** Think about this. It's a very significant turnaround.

At the end of 2006, **the 5-county Austin-Round Rock metro area recorded a miniscule 3.2% unemployment** (most economists refer to numbers in this range as for all practical purposes, "full employment"). This didn't happen only within the last few months. **The area was well on its way to this full employment a year ago**, when the metro unemployment was 3.9% in December 2005.

The percentages are impressive. It's even more significant when you look at the actual numbers of people who have jobs. At year-end 2006, 814,200 people held jobs in the 5-county area. **This is 31,500 more than were employed a year earlier.** And the number of unemployed dipped by 4,500 during the same period.

Job growth is outpacing the labor force growth – very healthy. Those who want a job generally can find a job in these conditions. Many employers are reporting more difficulty in finding qualified workers, even though Central Texas is remarkable for its skilled, creative, highly-educated workforce.

Even though all major metropolitan areas in Texas are doing quite well, when unemployment is measured, the **Austin area's 3.2% at year end led San Antonio (3.7%), Dallas-Fort Worth-Arlington and Houston-Sugar Land-Baytown (both 4.0%).** The state average was 4.1% and the US unemployment percentage was 4.3%.

By the way, when you break it down by city within Central Texas, you get a little better feel for how some micro economic areas are doing. The big kahuna, Austin, is 3.2% — the same as the overall average. But look at some smaller city-by-city percentages: **Cedar Park, 2.1% ... Georgetown, 3.0% ... Pflugerville, 2.3% ... Round Rock, 2.8% and San Marcos 2.6%.**

Another barometer of vigorous economic growth: community banks are popping up like popcorn on what seems like every available corner. This could change – but how?

These smaller community banks, that provide a good local service, could soon be gobbled up by bigger banks. They are **attractive takeover targets because many of the behemoth banks prefer acquisitions** (with deposits, loans and personnel in place) to starting from scratch. An exception is Wachovia that is building expensive branches on pricy land all over Austin.

With the battle cry of “No great American city has revitalized its downtown by sacrificing its most cherished and significant historic features,” the influential Heritage Society of Austin is ramping up its opposition to any modification to the existing Capitol View Corridors (CVC).

As we told you in our 1/5/07 edition, the City of Austin’s Downtown Commission has initiated **a review of the existing views of the State Capitol building from various vantage points**, primarily in the downtown areas. With the city’s emphasis on downtown density (see pg 1), officials are approving massive projects – many of them skyscrapers – to encourage more Austinites to live and work downtown.

As a result, the squeeze is on to find land to build these condos and apartments, and **the available land is so expensive it requires developers to go higher and higher** to realize a return on their investment. Now, City officials are taking a look at the areas set aside by state law and city ordinance in the 1980s to remain height-restricted, so as not to interrupt the view of the State Capitol.

The battle lines have been drawn. But, interestingly, this **conflict could turn into a civil war – pitting, figuratively, “brother against brother.”** The Heritage Society, founded in 1953 to protect the diverse architectural and cultural heritage of Austin, counts among its members and leaders many developers, real estate businesspeople, downtown leaders and folks from both sides of the political aisle.

While it is not known at this early date where all these folks stand, **it has to at least create a bit of discomfort for some.** The Heritage Society is tap-dancing around the issue a tad by saying “We strongly support more housing downtown and density in appropriate locations to achieve that goal. However, we believe that with proper planning, having **a larger downtown population need not be at the expense of the Capitol views enjoyed by all Texans.**”

The battlefield contains two fronts: 1) the local city government, and 2) the Texas Legislature. The view corridors are expressed in city ordinances and the Legislature passed the original CVC law. So, **the legislature could ultimately be the body to change the law – if it is to be tinkered with.** And, since the legislature adjourns its every-two-year session 5/28/07, this conflict may only last for about three more months.

Saying “we must act immediately,” the Society is emailing its members and friends – urging them to contact the City Council, State Senator and State Representatives and the Travis County Commissioners. It says “tell these decision makers that these views are priceless and any modification to the existing view corridors would endanger a treasure that belongs to all Texans.” **The wording so far does not indicate The Heritage Society is leaving the door open for any compromise. Its comments all oppose any modification.** By the way, there are 30 view corridors, each with secondary sightlines, converging on the State Capitol Building from major Austin landmarks and vantage points.

When the *Austin American-Statesman* recently ran a lengthy, laudatory feature calling attorney Pike Powers “Texas’s High Tech Godfather,” it left out an interesting anecdote that goes back to the beginnings of high tech in the Silicon Hills of Austin.

When the ground-breaking consortium SEMATECH announced in 1988 it was joining another high tech consortium, MCC, in Austin, it validated the beginnings of high tech in Austin. **Pat O’Hagan** was Texas Instruments’ representative, joining 13 other company reps to write the business plan for SEMATECH. Here’s how O’Hagan tells the story:

“A ‘site proposal’ was sent to the governors of all 50 states. Some 56 proposals were received back from 43 states (three from Texas: Austin, Dallas and Houston). A few weeks after the ‘site proposal’ deadline, Pike Powers and his sidekick, **Peter Mills**, from the Austin Chamber, showed up unannounced at our temporary offices at National Semiconductor in Santa Clara, California.

“**They said that they were just driving by** and wondered if we had any questions about the Austin Site Proposal. **They pulled the same trick two more times,**” she pointed out. The “trick trips” helped flesh out Austin’s presentation. Powers was instrumental in the leadership on the SEMATECH bid, as he was in 1983 on the MCC successful bid while serving as Gov. **Mark White**’s Chief of Staff.

SEMATECH was no ordinary company seeking a site to do business. It was the first consortium (that included the nation’s 14 top high tech companies) in partnership with the US government. **The companies put up half the money and all the people, and the feds came up with the rest of the funding – “the largest grant in US history,”** according to O’Hagan. This unprecedented effort was designed to counter worldwide competition, supported by foreign governments. As one person warned at the time, “the US is relying on foreign technology in our defense systems designed to protect our nation.” The R&D produced by SEMATECH went back to the companies for them to develop individually and competitively.

Dr. Louis Overholster says “health nuts will feel stupid someday, lying in bed dying of nothing!”

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