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AUSTIN LETTER

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

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Dear Client:

IH35 can be compared to the waterways of more than a century ago — or even railroads — where growth followed those transportation arteries.

Too often our focus on IH35 is on cussing the traffic problems that occur on the stretch of highway that runs from Mexico, through the Austin area, to Canada. **The interstate roadway has a well-deserved reputation as a death trap.** But while various entities are concentrating on alleviating the congested reputation, it's important to take stock of how various communities are becoming more intertwined by a roadway.

For instance, Gulf States Toyota is an independent distributor of Toyotas for a five state region. It is currently expanding its vehicle processing center in Houston. But with Toyota Manufacturing going full bore making Tundra pickups down IH35 in San Antonio, **Gulf States announced it is building a second vehicle processing center up IH35 in Temple.** It will employ nearly 250 people when it opens in 2011 and will ultimately provide more than 500 jobs.

But it's not just IH35 at play here. Remember *railroad tracks* were running north and south before the interstate highway system was devised. And the \$50 million, Toyota processing plant in Temple **will not only have access to IH35, but direct access to the Burlington Northern Santa Fe main rail yard.** So rail and roadways are working in tandem to connect San Antonio and Temple in this job-creating enterprise along this North American Trade Corridor.

There's a lesson here. In this case — and in the future as well — rail will continue to be a key component of transportation solutions. And not just for freight. You may recall that several years ago, a new group called the Austin-San Antonio Commuter Rail District was formed. Its objective was to establish a **commuter rail system to haul passengers along the route from Georgetown, north of Austin, to San Antonio.** Its plan was to have all the cities and towns in this corridor participate. And, just this past week, Schertz, a town north of San Antonio with a population of 28,180 voted to join with bigger cities in the Commuter Rail District.

Even though this rail/roadway development will expand over time, you may have already noticed **long freight trains running north through Austin along MoPac/Loop 1.** Yep, they're hauling Tundra pickups from San Antonio to other markets. It's under way now.

Regular readers know Austin's office rents have been going up at a rapid rate. Forget about comparing the rising rental rates to other cities in Texas and the US. What about *worldwide*?

Would you believe that Austin ranks #40 *in the world* in the listing of markets that have the fastest growing office rents! Austin is not up there with #1 Singapore (82% increase), #2 Moscow (65.4% rise) or Mumbai (55% hike) who have racked up these amazing increases since November 2006, according to research from CB Richard Ellis.

But, **Austin's 15.9% increase during the same timeframe was enough to nail down the #40 spot** on the list of the Top 50 office markets in the world. The only US market in the Top Ten was suburban Los Angeles, with a 45% increase. Bear in mind, this is a list of the *fastest-rising* rental rates. Austin is nowhere near the Top Fifty cities with the most expensive office rents.

As long as we're looking at rankings for Austin, here's one that speaks to the quality of life. The Austin-Round Rock metro has just been rated the Best Golf City in the US.

The ranking comes from a combined research effort put together by two respected organizations in the field of golf – ***Golf Magazine* and the National Golf Foundation**. In 2007, the US had 50 Metropolitan Statistical Areas (MSAs) with a population of more than a million. So they used this to define "city" and ranked all 50 of them.

They considered a number of factors. Among them: **weather, affordability** (green fees in relation to median household income), **quality of courses, accessibility** (number of golfers in relation to quality public courses), number of **courses designed by esteemed architects, availability** (*public* facilities as a percent of *total* facilities – the higher the better) and "**crowdedness**."

Greater weight was given to weather and affordability "which we determined to be the most important criteria." But, they even took into account such factors as the number of avid/low-handicap golfers and the tradition of hosting significant tournaments.

"But, at day's end, we decided that **America's best golf cities should be first and foremost about quality courses you can play, and afford to play, in reasonable weather,**" they concluded. And the Austin metro came out tops in the nation.

Others in which you may have an interest: #3, Las Vegas ... #4 Dallas/Fort Worth ... #5 Orlando ... #6 Seattle ... #7 San Jose ... #8 Atlanta ... #9 Portland ... #12 San Antonio ... #25 Nashville ... and #27 Houston. **While being ranked as the Best Golf City in the US isn't up there with education and the economy, it should not be dismissed as frivolous.** It is an important emotional factor for some when choosing where to live, work and play.

With the major announcement this week that Israeli and Palestinian leaders agreed to resume long-stalled peace talks, a former Austinite will be a moderate and powerful voice at the highest levels of those discussions to create an independent Palestinian state.

In June of this year, a person who spent several years in Austin during the early 1980s was named Prime Minister of the Palestinian Authority. **Salam Fayyad** earned his MBA from St. Edward's University and his PhD in economics from UT Austin in 1986. Armed with his doctorate, Fayyad worked between 1987 and 1995 in Washington as an economist with the International Monetary Fund (IMF) of the World Bank.

A well-respected figure internationally, he then served as the IMF representative from Palestine until 2001 when **Fayyad was appointed by Yasser Arafat to be Palestine's Finance Minister**. Fayyad earned a reputation for straightening out the books, and served in the Fatah-led cabinet until 2005, when he left to lead a new Palestinian political party.

During his time as Finance Minister, **Fayyad won praise from the international community for introducing economic reform**. He is also credited with cracking down on official corruption. Finally, when the Hamas-Fatah coalition broke apart earlier this year, President **Mahmoud Abbas** created an emergency government and named Fayyad Prime Minister. In recent months, foreign governments have chosen to deal with him directly as a means of bypassing Hamas.

Born in the West Bank city of Tulkarm in 1952, Fayyad is married with three children. It is not likely the former Austinite will see much of his family in the coming 13 months, if the **end-of-year-2008 difficult goal (some believe, impossible) is realized** – to secure peace, freedom and security between Israel and Palestine with the creation of an independent state for Palestine.

If this result is achieved, it will likely be due in large part to the **leadership, intelligence and negotiating skills of Palestinian Prime Minister Salam Fayyad, an economist who honed those skills during his formative years in Austin**.

Democrats are convinced they will increase their margin of control of the US House of Representatives next year – but it is not as cut and dried as what they see as their US Senate majority prospects.

Handicappers are suggesting the Dems will grow their 233-200 margin (with two seats vacant). They point out more Rs are planning retirement than Ds, creating more "open" seats. And they have a big edge in fund-raising. But the GOP is not rolling over and playing dead. With every single seat up for election, the Rs point out that Congress is even less popular than the president and **they plan to tie Congress's lack of accomplishments to the Dems**. Could be interesting.

You may have heard of big Texas givers to Democrats such as former Lt.Gov. Ben Barnes, Waco philanthropist Bernard Rapoport or Dellionaire Tom Meredith. But, Alonzo Cantu?

Cantu is a self-made millionaire developer in the Lower Rio Grande Valley town of McAllen in Hidalgo County, where the median household income in 2006 was only \$28,660. So far, he has **bundled more than \$640,000 in contributions for USSenator Hillary Rodham Clinton** and he is continuing to raise money for her. This total is impressively large, especially when you understand that USSenator **Barack Obama** has raised only \$2,086 in the same area.

A *Washington Post* review of 15 years of campaign contributions by Cantu and the 339 donors whose checks he has bundled found **more than \$1.4 million in contributions** to federal candidates and party committees, most of it Democrats.

Has his fund-raising delivered results? One example: His first national political check went to **Bill Clinton** in his first run for president. Cantu told the *Washington Post* this was to **support Clinton's effort to push through the North American Free Trade Agreement (NAFTA)** over organized labor's opposition.

Later, the Clinton administration set up a \$40 million rural empowerment zone near McAllen. Since NAFTA went into effect in 1994, the population has almost doubled and nearly 100 *Fortune500* companies have set up operations to help import goods to Mexico.

Cantu, according to the *Post*, has "raised money from doctors who work at the **hospital where he holds an ownership interest**, from bankers who work at the **bank he co-owns** and from the scores of tradesmen who contract with his primary business, **Cantu Construction and Development Co., one of McAllen's dominant residential and commercial builders.**" Remember the name – Alonzo Cantu. It is sure to surface in the future.

When **Dr. Louis Overholster** heard that a psychologist was selling a video to test your dog's IQ, he said "if you spend \$12.99 for the video, your dog is smarter than you!"

Sincerely



Editor/Publisher