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Dear Client:

**With practically the entire nation focused on *day-to-day* economic developments, it can be instructive to keep your perspective by *looking long-term*. And one economist sees a “Texas-sized boom” looming on the Lone Star State’s horizon.**

What is it about Texas that generates such an optimistic outlook? “The Lone Star State is being ‘discovered’ by the rest of the country because of its **affordable housing, lower cost of living and cost of business, greater employment opportunities and appealing lifestyles**,” reports Texas A&M economist **James P. Gaines**. “Events and circumstances point toward a Texas-sized boom between 2005 and 2030.”

**The Austin area is smack-dab in the middle of the hottest spot in Texas. Gaines calls it the Central Texas Triangle.** At the top of the triangle is the Dallas-Fort Worth metro area, including outlying cities such as Denton and McKinney. The easternmost leg of the triangle dips down to include the Houston metro area that also envelops Conroe, The Woodlands, Huntsville and Galveston. The bottom of the triangle loops west, including Katy and Seguin, to San Antonio.

In the final westernmost leg of this triangle, at the heart of all this is the Austin area, including the cities along IH35 and encompassing Bryan-College Station. This is very significant, so take a moment to think about this: **approximately four out of every five Texans live within the Central Texas Triangle.** When you talk about Texas economic future, you’re essentially talking about this triangle.

With this in mind, understand that demographers project the population of Texas to increase 43.5% between now and 2030, while the US itself grows by 23%. (The bulk of the increase in Texas will be inside the Central Texas Triangle.) “Population and employment growth go hand in hand,” Gaines notes. **“If Texas maintains its average employment-to-population ratio, as it is expected to during the next 25 years, the state will add another 4.5 to 5.8 million jobs.”**

Increases in employment will result in growth in personal, per capita, household and family incomes, he says. **“Texas future prosperity will derive from more people, more jobs and expanded personal income.”** Oh sure, there will be “costs” associated with this growth and prosperity. We’ll cover that in the next story as well as point out that **housing affordability may be a strong growth stimulant.** Say, what? Housing? Yep. Check this out, next.

**Texas is the most housing-affordable high-growth state in the nation. As a result, housing affordability may be one of the most significant growth stimulants for Texas during the first half of this century.**

So far, skyrocketing home prices common to fast-growing states like California and Florida have not occurred in Texas says **James P. Gaines**, a TexasA&M economist who focuses on residential and commercial real estate in the state. Gaines points out the median-priced home in Texas in mid-2007 was \$151,000 – about two-thirds the national median (\$229,000) and about 25% of California’s median (\$589,000).

Using a complicated formula that compares Texans’ family income with the median price of homes, Gaines is able to predict that the **state’s housing affordability is “one of the most significant growth stimulants”** – especially when compared to elsewhere.

He points out that “**a family in Texas earning the statewide median family income has 152% of the income required to qualify for financing on the median-priced home.**” But, “the *national* median family income is only 16% greater than the required income to purchase the national median-priced home.”

**What are the roadblocks to this looming boom in Texas?** Gaines says there are several, broken down into three categories:

**Insufficient Development Infrastructure:** 1) Texas’ cities lack adequate public transit systems, rely on roadways and interstate routes and suffer from growing congestion and commute times; 2) Although not as severe a restriction within the Central Texas Triangle, water availability and cost will be evident elsewhere in the state; 3) The adequate supply and cost of delivery of water and sewer, natural gas, electricity and other basic services are potential problems.

**Politics and Public Policies:** 1) As local communities experience accelerated population and housing growth, some will employ regulatory controls to limit or stop growth; 2) Property taxes are used to finance state and local services, especially public education. Texas’s property tax rate is among the highest in the nation, and the state faces growing fiscal needs; 3) US immigration restraint/reform could limit the state’s immigration growth.

**Worldwide 1930s-Style Depression:** This could be the single most significant constraint to Texas’ future. Most of the other potential factors can be dealt with, but the state has no control over national and international economic events.

Gaines says the national and global economies will continue to experience cycles of growth and decline that will affect Texas, but these will be short-term interruptions over the course of long-term growth. “**Overall, the future looks bright for the Lone Star State,**” he concludes.

**With TexasA&M's fast-track push for a branch of its medical school in Round Rock and the UTSystem's study for a medical facility in Austin, are the two foes-on-the-football-field competing with each other in the Central Texas medical arena?**

Much of the local news media carried stories on the recent action by TexasA&M's Board of Regents to accept a donation of 15-acres (with plans to pay for adjacent acreage and an option for even more) for a **Health Science Center campus in Round Rock**. Additionally The Texas Legislature allocated **\$9 million for this medical campus**. The ambitious plans could lead to a full-blown medical school.

Regular readers have long-known of **activities by UTAustin and the UTSystem exploring the possibility of medical facilities in the Austin area**. In fact, just recently the UTSystem's medical school in Dallas, with several Nobel Prize winners on its medical staff, announced it is studying the feasibility of an Austin branch. (Click on the "archives" button at the top of this newsletter and enter the words "medical school" to check out past reports of other actions.)

So, is there a looming conflict here, especially with TexasA&M getting a head start on making things happen? "Absolutely not," according to quotes garnered by the *Austin American-Statesman's* **Ralph K. M. Haurwitz**. Haurwitz said he "didn't have quite enough room" in his story reporting on the TexasA&M Regent's action to print what we felt were some telling quotes. Instead, he put them in his "blog" on the AA-S's Web site. So you and others may have missed it.

Here's what he wrote in his blog after asking the chair of TexasA&M's Board of Regents, **Bill Jones**, and the president of the TexasA&MSystem's Health Science Center, **Nancy Dickey**, "**whether there was a competition between them** and the University of Texas System to be first with a medical school in Central Texas":

Jones: "**We are not attempting to supersede them**, and hopefully they are not looking at us that way. I think we can do both."

Dickey: "The population and the population growth in that greater Austin area is such that there's absolutely nothing that we are doing in Williamson County that has any impact on the planning that UT is doing. In fact, **in many ways we look forward to potential opportunities to partner with them** on whatever it is that they choose to proceed to do."

What was left unsaid in all of this is that old bugaboo – money. Will the Texas Legislature, which has been historically stingy with funding higher education in Texas as a percentage of the institutions' total budgets, bow its back and **fail to adequately fund all the medical facilities that are planned or being discussed**. Of course, there are other methods of funding – such as grants, gifts, donations, etc. to an existing institution for expansion. But taxpayer money for state-supported institutions is obviously important. It'll be interesting to watch this play out.

**Austin's reputation is well-known for live music, as a significant film center, and as an economic home for video games development. But what about the visual arts – painting and sculpture? Recognition for Austin as a home for this important part of any cultural scene just took a quantum leap forward.**

One of the thought-leading and trend-spotting publications in the art field is a magazine called *Art in America*. In its December issue, the well-respected and widely-circulated slick pub singled out Austin in a 7-page, lavishly-illustrated article that claims **“The visual arts are finally coming into their own in the Texas capital, with a growing roster of galleries and artist-sponsored activities joining the city's museums.”**

The article can't be called a puff piece because it straight-forwardly reports on Austin's art scene. But the scope of the reporting leaves the overall impression of **a significant visual arts presence in the Capitol City that heretofore has not been given its national due.**

It singles out **museums**, such as the Austin Museum of Art, The Blanton Museum and Arthouse for special mention. It cites **galleries** such as d berman, Lora Reynolds, and Lombardi and crosses IH35 to focus on **galleries on the East Side** like Bolm Studios, Okay Mountain and Art Palace.

With full-color reproductions of paintings and sculpture sprinkled throughout the article, it ends by proclaiming that **“perhaps the best guarantee of Austin's future in the art world is the simple fact that people really like this city.** Residents enjoy living there and visitors want to return. Now, along with music and food and general good times, there is a constantly changing round of exhibitions and art events to bring them back.”

Noting that Austin recently placed #7 on *Men's Health* magazine's list of the drunkest cities in the country, **Dr. Louis Overholster** said Austin would have ranked higher if fishermen had been studied – especially those who follow the adage that *“Give a man a fish and he will eat for a day. Teach a man to fish and he will sit in a boat all day drinking beer!”*

Sincerely



Editor/Publisher