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Dear Client:

Austin has doubled in size just about every 20 years. To provide enough jobs to keep up with this growth pace, Austin's mayor (a man who can do something about it) says the future economic focus should be on renewable energy, creative media and medical technology.

These three industries, says Mayor **Lee Leffingwell**, “can , and will, if we play our cards right, form a **new foundation of sustained economic growth** into the next generation.”

Renewable energy is a natural fit for Austin, says the mayor. “We have a proud **legacy of environmentalism** in this community. We have the **technical expertise and the drive to innovate**. And we are the capital city for the most important state in today's energy economy,” he said. “**There's no excuse for Austin not to be at the forefront of the global clean energy revolution happening today.**”

Creative media is where the mayor says the “second clear opportunity for economic diversification” lies. In this category, he includes the **music industry, film and television, video gaming and “everything happening with web-based services, mobile computing, and social networking.”**

Medical technology and life sciences is “the third big opportunity for Austin,” said Leffingwell. He pointed out that **some of Austin's largest employers are already in the health care sector** (Seton, St. David's, Girling, etc.), and went on to say: “One of our biggest ambitions as a city and a region is to become **home to a full-fledged medical school**. There are lots of creative, dedicated folks working hard on that goal right now. I'm absolutely determined to see it happen, and **I'm extremely confident that it will happen.**”

Speaking to the Real Estate Council of Austin, Leffingwell said “if we want to thrive into the future and we obviously do ... **this is the time to proactively, aggressively diversify Austin's economy. I can't emphasize the urgency of this enough.**”

The mayor has other observations on what Austin needs to do to develop the local economy as as the state, national and global economy evolves. **And he has firm views on the use of incentives to attract industry to Austin.** We'll examine those views and look at a couple of other economic areas he feels need emphasis in the next item.

Offering incentives (like tax breaks) to companies able to provide significant job creation in Austin has been a longtime practice, albeit a controversial one. Austin's mayor weighs in on the hot topic.

The most recent public example of the city's granting incentives to a company involved the move of Hanger Orthopedics to relocate its corporate headquarters from Bethesda, Maryland to Austin. Mayor **Lee Leffingwell** said "this was a major win, bringing a marquee company and nearly 400 jobs in a targeted industry" to Austin.

But still, incentives were offered and accepted. How about that, mayor? "To be clear, I do recognize that using incentives as an economic development tool can be controversial. And I'll also admit that **I myself haven't always been crazy about some of our incentive deals**. For example, I opposed the Domain incentive package several years ago (before he was mayor), even though I did not support undoing that agreement at the ballot box."

What about last month's vote on incentives for Hanger Orthopedics? "**I'll do deals like the one we did with Hanger every day of the week**: performance-based, judicious, focused on a targeted industry, good-paying jobs with good benefits, and cash-positive for taxpayers over the life of the deal."

Speaking to the Real Estate Council of Austin, Leffingwell went on to say the local incentives were "**tied to larger incentives** from the state's Texas Enterprise Fund, which also have performance criteria that must be met. **So I say, bring me more.**"

In addition to the three areas of economic focus Leffingwell mentioned previously (renewable energy, creative media and medical technology), he also mentioned another area where economic development efforts should be expanded.

Tourism and conventions. "From the city's perspective, there's **hardly a more desirable industry**. Here's how it works: **You come to Austin. You spend your money here. You go home. Very good stuff.** With all that we have to offer, Austin should be on the short list for every family vacation and corporate conference."

"But one critical bottleneck we have to address is accommodations," he noted. "**We can take our convention business to a whole new level if we can ramp up the number of hotel rooms downtown.** The Marriott project that had been planned for 3rd and Congress was going to deliver what we needed – around 800 rooms – but it didn't happen."

The Austin mayor acknowledged the difficulty in bringing such a huge project to fruition. "It's obviously a tough time for a hotel project of that magnitude to find the capital it needs to go, but we're very much on the hunt for interested parties," Leffingwell said. "**So, if you want to build a very large hotel in downtown Austin, call me and I'll buy you lunch.**"

Speaking of tourism, a new trend is developing around Austin and it could bode well for the economy of the region.

For decades, business and civic leaders in the Lower Rio Grande Valley, along the border with Mexico, have campaigned aggressively to lure Midwesterners to **leave the harsh winters of the heartland and head down IH35 to spend the winter in our more moderate climate.** They call themselves “**Winter Texans**” and they had a positive economic impact on the Valley.

Now, it seems the **Central Texas Hill Country has supplanted the semi-tropical Valley as the preferred Texas destination.** According to a survey by TexasCampgrounds.com, 39% of Winter Texans vacation in the Hill Country and 38% set up camp along the Gulf Coast. The previous preferred destination, the Valley, was cited by only 24% of those surveyed.

Importantly, just over **half of the Winter Texans surveyed plan to spend as much time wintering here as last year and 35% plan to stay longer.** Forty percent said they planned to winter in Texas for one to two months. An additional 15% planned to stay three to four weeks, while 13% planned to stay 3 to 4 months and 25% planned to stay 6 months or longer.

Most of the Winter Texans hop in their RV’s and drive to a campground. **And campgrounds are becoming more elaborate, with a lot of amenities.** For instance, a large campsite was recently developed on Hudson Bend Road in western Travis County, offering sites with porches, a community center, ponds, paved roads, etc. – replicating a community neighborhood.

IH35, linking Canada and Mexico and traversing right through the Austin area, is the natural funnel for Winter Texans to get away from snow shoveling. Many are now peeling off the roadway when they get to the Austin area to enjoy the Central Texas quality of life. Why are they foregoing the more semi-tropical Rio Grande Valley? The survey didn’t publicize those reasons. But you have to wonder if the violence, both real and perceived, in Mexican border towns didn’t play a role in such decision-making.

One of the first, nationally-publicized raucous Tea Party rallies occurred here in Austin. Democratic Congressman Lloyd Doggett was the target. What are his re-election prospects?

First of all, Doggett has no opponent in the Democratic primary in a couple of weeks. Two Republicans are squaring off for the right to run against Doggett in November: Medical Doctor **Donna Campbell** of Columbus and Environmental Contractor **George Morovich** of La Grange. The winner will have an uphill fight. Doggett has more money in his campaign war chest than any other Texas Congressman — \$3.1 million at last count. To give you an idea of the size of that fund, **Ron Paul**, a former presidential candidate, is 2nd with \$1.9 million.

After suffering from drought-level lows less than a year ago, Lake Travis is almost “full.” It is still rising from recent rains and, with a bit more rain, could soon be full.

The engineers at the Lower Colorado River Authority (LCRA) who control the levels of Lake Travis have set an elevation of 681’ above sea level as the point where flooding can best be controlled. In other words, **the “full” level is not all the way up to the spillway.** It gives the engineers enough room if deluges send massive amounts of water rushing into the lake.

Rivers and streams that flow into the Highland Lakes remain slightly elevated from the rains last week. So, what is the current level of Lake Travis? **At the current rate of inflow, the LCRA projects the lake to reach the 675’ level next week – just 6’ below the “full” mark of 681’.** Last week, it passed the 671’ mark. The historical average is 670.67’.

By the way, today (2/19/10) marks the 75th anniversary of the LCRA. For a century prior to the formation of LCRA, there were many efforts to build dams on the Colorado River. Austin, for instance, twice built a dam in the early 20th century, only to see the structures destroyed or severely damaged by catastrophic floods.

Following the Great Depression, the Public Works Administration made federal funds available for large infrastructure projects to a public agency. After three defeats in the Texas Legislature, the LCRA was created in late 1934. It formally opened for business in the Travis County Courthouse February 19, 1935. Construction of dams along the Colorado River began right away. LCRA provides energy, water and community services to more than a million people in all or parts of 61 Central and South Texas counties. **It cannot levy taxes** or receive tax money, but **must operate on revenues it receives for services.** Its annual budget: \$1.2 billion.

Willie Nelson has a private nine-hole golf course in western Travis County, not far from Lake Travis. Since he owns the course, he sets the rules. **Dr. Louis Overholster** says this is the dress code posted in the clubhouse: “No bikinis, mini-skirts, skimpy see-through or sexually exploitative attire allowed. Except on women!”

Sincerely



Editor/Publisher