

Volume 32, Number 15

July 9, 2010

Dear Client:

“It is simply delusional to try forcing a market beyond proven demand.” Is this statement, uttered this week by a nationally-recognized demographer, a warning to those who are guiding the growth of the City of Austin?”

Joel Kotkin did not specifically reference Austin in his commentary in the 7/6/10 edition of *The Wall Street Journal*, but it had a hint of “if the shoe fits ...” about it. **He is challenging, in some detail, the notion that area residents should be encouraged to “infill”** – to live closer together in greater density in urban areas.

“Pundits, planners and urban visionaries – citing everything from changing demographics, soaring energy prices, the rise of the so-called ‘creative class’, and the need to battle global warming – have been **predicting for years that America’s love affair with the suburbs will soon be over.**” he points out. “Their voices have grown louder since the onset of the housing crisis.”

“But,” he says, **“the great migration back to the city hasn’t occurred.”** He calls the back-to-the-city movement “wishful thinking” and he cites national statistics to back up his claim. He uses major cities around the nation as examples, pointing out that multi-family housing peaked at 40% of all new housing permits in 2008 and it has since fallen to below 20% of the total, slightly lower than in 2000.

Kotkin also says “virtually every survey of opinion” shows **only 13% of Americans prefer to live in an urban environment.** He says “these patterns have been fairly consistent over the last several decades.” As a result, demographic trends, “including an **oft-predicted tsunami of Baby Boom ‘empty nesters’ to urban cores, have been misread.**” He supports that comment by pointing out that “roughly three quarters of retirees in the first bloc of retiring baby boomers are sticking pretty close to the suburbs.”

He admits that **“urban centers will continue to represent an important, if comparatively small, part of the rapidly evolving American landscape.”** And in the short run, he says “the collapse of the high-end condo market could provide opportunity for young and unmarried people to move into luxurious urban housing at bargain rates.” Check out the next item where Kotkin talks about what *may* happen and what is *needed* to happen.

Are the young professionals – those in their 20s and early 30s – going to be the salvation of urban living? Don't bank on it. They, too, will grow older and what then?

In the previous item, **Joel Kotkin** debunked the notion that Baby Boomers were going to migrate in large numbers to urban areas from the suburbs. But what about other demographic groups? What is happening there? His comments on the national scene **may have bearing on Austin growth planners**. In some cases, those views run counter to current city growth policy.

Historically immigrants have helped prop up urban markets. But this is changing, according to Kotkin. “Since 1980, the percentage who settle in urban areas has dropped to 34% from 41%,” he said. **“Some 52% are now living in suburbs, up from 44% 30 years ago.”**

Okay, then, what about the “millennials” – those born after 1983? **“Urban areas do exercise great allure to well-educated younger people, particularly in their 20s and early 30s,”** Kotkin said. “But what about when they marry and have families, as four in five intend? A recent survey found that although roughly 18% consider the city ‘an ideal place to live,’ **some 43% envision the suburbs as their preferred long-term destination.**”

The millennials are also attracted to urban living these days because the problems in the condo market have led to lower prices or lower rental rates when the condos don't sell. **“But lower prices, or a shift to rentals, could prove financially devastating for urban developers and their investors, who may be slow to re-enter the market.”**

“The condo bust should provide a cautionary tale for developers, planners and the urban political class, particularly **those political ‘progressives’ who favor using regulatory and fiscal tools to promote urban densification.** It is simply delusional to try forcing a market beyond proven demand,” declared Kotkin. Read this paragraph again visualizing Austin. Then check out Kotkin's conclusion.

“Rather than ignore consumer choice, cities and suburbs need to focus on basic tasks like creating jobs, improving schools, developing cultural amenities and promoting public safety,” said Kotkin before this final statement: **“It is these more mundane steps – not utopian theory or regulatory diktats – that ultimately make successful communities.”**

Speaking of trying to “force a market beyond proven demand,” five California cities have called for stopping plans for the state's \$42.6 billion bullet train project.

The Bay Area cities are concerned that the project is **moving too quickly — without addressing key issues** — to meet a deadline to qualify for federal stimulus funding.

An airport for private aircraft in the northeast portion of the Austin metro area is inching closer to becoming a reality.

You've got to give **Jim Carpenter** credit for persistence and patience. **The Austin developer has long promoted an airport facility for the northeast area of the metro**, where he has done a lot of business. In fact, he was heavily involved in the effort to build a new, modern airport to replace aging Robert Mueller Airport, further out to the northeast.

His efforts for a huge commercial airport were derailed when the US Base Closure Commission voted to close Bergstrom Air Force Base, thereby opening up a large runway on land that reverted to city ownership following the closure of the military facility. Thus was born Austin-Bergstrom International Airport.

Carpenter is still pursuing an airport for the northeast portion of the metro area—this **one an airport that would serve business and chartered aircraft. And his proposal also includes a business complex.** The \$150 million facility would be located in the western part of Bastrop County.

He has already cleared a major hurdle. The Bastrop County Commissioners Court has agreed to **refund 75% of county property taxes for the proposed airport over a 30 year horizon.** The agreement pertains only to the **first phase of the airport**, which includes a 7,200-foot runway, a quarter-million square feet of hangar space, a fuel farm, fire and rescue facilities and, importantly, commercial development. Under the agreement, the airport cannot be converted to general commercial usage.

There are still a number of hoops that Carpenter must jump through before construction can begin, such as dealing with flood plain issues. But, knowing Carpenter's track record for persistence, he just might make his target date to begin construction: June 30, 2012.

Speaking of economic developments in the northeast part of the metro, a company announced this week it would bring manufacturing that was previously sourced in China to Pflugerville, in northeast Travis County.

National Scooter Company will relocate its global HQ to Pflugerville, along with manufacturing, design and engineering, distribution and shipping, as well as a factory retail store – all to be set up in the Springbrook II Business Park.

The company designs, develops, manufactures, sells and distributes a **multi-line of bikes, scooters, motorcycles and electric cars.** Its CEO says NSC was “formed to meet the rapidly growing demand of consumers seeking affordable, high-quality, high-mileage transportation.”

The economy is changing the economy of growth. Growth patterns nationwide are shifting, some dramatically. Texas is leading the charge.

Unless you have kept close tabs on what is happening in Florida, you may be surprised. An urban sociologist, **Robert Lang, says Florida has been reduced to a profile similar to a Northeastern state.** Yes, Florida. The magnet state, where the words “dizzying growth” were practically invented, is slipping. Two of the state’s large cities lost people from 2008 to 2009.

Cape Coral, for example, grew by almost 50% since 2000. This put it among the ten fastest-growing cities in the nation. However, from 2008 to 2009, it was the US’s sixth-fastest *decliner*.

Meanwhile, in the latest USCensus estimates (no more population figures will be released until the results of this year’s every-ten-year tally are final), **4 of the 10 fastest-growing cities and 11 of the top 25 cities that have populations above 100,000 are in Texas.**

Population growth in and of itself is not so much a *goal* as it is an *economic measurement*. And when you do an in-depth examination, you can find growth cuts differently. For instance, Texas escaped the worst of the downturn because of a diversified economy that includes oil and high-tech. People are moving to Austin and other growth cities for high-skilled and low-skilled jobs. **This is indicative of economic vitality.**

On the other hand, even though old industrial cities in the northeast and Midwest continue to lose people, large cities such as New York and Chicago have stayed relatively stable in the population measurement, because the recession has caused people there to stay put rather than move out. And then there’s the occasional anomaly. **New Orleans has the largest *decline* since 2000 but the 4th largest *gain* from 2008 to 2009 – evidence of a gradual bounce-back from Hurricane Katrina in 2005.**

Dr. Louis Overholster’s new tee shirt reads: “The US Department of Redundancy Department!”

Sincerely



Editor/Publisher