

Volume 33, Number 19

August 5, 2011

Dear Client:

After a lengthy migration, it appears the official birds of downtown Austin – building cranes – may soon return. And this time they won't be nesting on condos or office buildings. Downtown Austin may soon be in the midst of a *hotel* building boom.

Construction of five hotels in a concentrated area qualifies as a boom of sorts — especially since it has been some time since a new downtown hotel was built. **Plans now are moving forward for more than 2,000 new hotel rooms to be erected within a few blocks of each other.** And, importantly, all five hotels will be in proximity to Austin's Convention Center.

The two biggies – with around 1,000 rooms each – are admittedly aimed at Austin's growing convention and tourism business. **The proposed Marriott will be built on Congress Avenue between 2nd and 3rd streets and a yet-to-be-branded high-rise hotel will arise at Cesar Chavez and Red River streets, possibly connected by a "bridge/walkway" to the Convention Center.**

Three smaller hotels (they like to be called "boutiques") will be **located on Congress Avenue at 4th and 8th streets and at 3rd and San Jacinto streets.** These three also will be looking for spillover convention and tourism business, as well as state government-related-visitors.

If all these hotels come to fruition, the battle to put butts in their beds will be most aggressively waged between the two big hotels. Just how big are these 1000-roomers? The high-rise planned closest to the convention center is about 50 stories tall. The Waldorf-Astoria in NYC is 47 stories tall and the extravagant Wynn hotel in Las Vegas is 45-stories.

Some hoteliers predict tough sledding in the early stages. How will they compete? **The Marriott on Congress Avenue will pitch that it is in the middle of all the downtown "action," yet within walking distance to the Convention Center. The yet-to-branded hotel will brag about proximity to the Convention Center and the importance of this for walkers during the oppressive summer heat.**

Oh, about that *yet-to-be-branded* aspect. This doesn't mean that hotel is on any less sound financial footing than the Marriott. **Most hotels are built by deep-pockets developers who, in turn, sign up with a hotel operator – such as Hilton, Hyatt, Starwood, etc.**

If the planned hotel construction pans out, 7,000 hotel rooms will be within walking distance to the Austin Convention Center. Houston has 1,500 hotel rooms convenient to its convention center. In the bid for lucrative future big convention business: Advantage Austin.

Cities all over the world cherish convention and tourism business. After all, convention goers and tourists visit a location – usually for several days at a time — and fan out over the city spending money, lots of money. **This money circulates throughout the area economy as employees of hotels, restaurants, clubs, tourist attractions, local retailers, museums, etc. spend their earnings on everything it takes to live their daily lives.** The conventioners and tourists go home, leaving money behind, and **no local taxes are used to educate their kids or provide other city services.** Such a deal for a local economy!

Austin has long been at a disadvantage when it comes to booking mid-size to large conventions because **Austin lacked the convention hotels needed to accommodate large meetings.** And it is not just the *number* of hotel rooms, it is what is available in a convention hotel – meeting rooms, banquet services, etc. that are ancillary to what is offered in a convention center.

With only the Hilton as a convention hotel across the street from the Convention Center, Austin simply falls short for the big bookings. **Many of these groups that would like to meet in Austin have so many members they, by default, go to San Antonio, Dallas or out-of-state cities.** This could change in just a few years as the planned downtown hotels are built out.

Austin is one of the most attractive destinations in the nation. Meeting planners love the city and what it has to offer. Ask **Bob Lander.** He is the head of the Austin Convention & Visitors Bureau (ACVB). The ACVB is charged with booking meetings and attracting visitors to Austin and it operates on a budget that is **funded by the hotel-motel tax paid by those same visitors.** Check out what he had to say in our edition of just two weeks ago. Simply click on the “Archives” button at the top of the page and go to Volume 33, Number 17 — July 22, 2011.

Speaking of travel, passenger traffic through Austin-Bergstrom International Airport (ABIA) is up 7% over the previous year, though in June, the most recent month, it was up only 4%.

While the June passenger traffic is better than 2010, 2009 and 2007, **it is still below 2008 – so ABIA is not in a record-setting stratosphere.** The 2011 totals bear watching because the June numbers are essentially flat from May, while in 2008 there was a hefty May-to-June increase.

There is no substantial change in airline dominance in the Austin market. The June 2011 market share leader is Southwest (36.7%), followed by American (21%), Delta (11.9%) and Continental (9.7%). It’s noteworthy Delta and United are enjoying the greatest increases.

The building cranes could converge on another part of downtown Austin in the near future and this project is proposed as an amalgam of government facility, retail and offices.

We're talking about a complicated and ambitious re-thinking of a **mission-expanded Travis County Courthouse complex**. It would be located on a full city block, **immediately south of Republic Square Park**, between 3rd and 4th streets and Guadalupe and San Antonio streets – not far from the hulking, massive structure that will soon open as the United States Courthouse and Federal building.

There is no question the Heman Marion Sweatt Travis County Courthouse is overcrowded. The original structure was built in 1931 when there were only three civil courts with less than 300 cases filed that year. Today, **the courthouse is home to 16 civil courts that hear 45,000 cases per year, involving more than 90,000 litigants**. This may explain why more than 339,000 people visited the courthouse last year.

But how does Travis County pay for a from-the-ground-up civil and justice center? The powers-that-be are proposing an ambitious public-private partnership. In fact, **21 firms presented proposals** June 30th to build the project that would include a **high-rise commercial structure** to generate revenue for the private partners that put up the big bucks for the development.

The Travis County Commissioners Court is on the verge of **retaining consultants to review the proposals** with a goal of putting together a partnership with the County. In the meantime, the 21 proposals will remain sealed until the consultants are hired. So the scope of the project is still somewhat in flux. In fact, after the firm is selected, it will be tasked to present a more detailed presentation.

If the deal works as envisioned, **Travis County would get a courthouse to its specifications** with all the modern bells and whistles, such as technological innovations. It will also put the **private portion of the project on the tax rolls**. The developer would front the funding and, if successful, **make a reasonable rate of return on its investment**.

All this is well and good. But when you drill deeper you see an extremely complicated deal structure, **involving a variety of constituencies, all subject to public review**. For instance, one proposal calls for including the **city's municipal court system** as part of the project.

Consider that about 300,000 people a year visit Austin's municipal courts. Add that to the above-mentioned 339,000 visitors to the current county courthouse last year. This could mean, for starters, **more than 600,000 visitors would converge on that one square block of downtown real estate each year** – not to mention all the traffic that would be generated by a large high-rise filled with retail and office space. See what we mean! Stay tuned.

So. What about your monthly City of Austin electric bills? High enough, for you? If you think this oppressive heat has pushed your electric bills to new heights, wait until your rate goes up next year by about 12%.

Electricity usage hit all-time peak demands this week as triple-digit highs have become the norm. **Austin Energy (AE) has long raised the price of its electricity usage in the summer to force customers to use less energy. How's that working for you? Just when you need to run your air conditioning the most, you pay more for each little megawatt you use.** And, obviously, with the peak usage totals recorded this week, customers are not cutting back all that much even though higher prices have been imposed during summertime.

In fact, those who have difficulty paying the higher cost per megawatt are being hit hard. **Through the end of June – well before these horrendous hot days this week – utility bills delinquent by 30 days or more totaled more than \$13 million dollars, with the number growing daily.** How high will this go with no temperature let-up in sight? Don't know. But in the drought of 2009, the delinquent utility debt reached almost \$23 million.

The City is not disconnecting those delinquent customers from receiving electricity. It has a policy that if the *heat index* reaches or exceeds 102 degrees one day and is expected to do the same the following day, cuts for non-payment are suspended. **During the month of July disconnects for non-payment were suspended every day except July 1st.**

Even though almost every user of electricity provided by the monopoly City of Austin-owned Austin Energy is receiving some of the highest monthly bills they've ever received, **AE is preparing to raise the customer base rates an approximate overall 12% for next year.** Meantime, the heat continues to strain a/c units throughout the area.

Dr. Louis Overholster for years has had a policy of never arguing with an idiot. As the good doctor puts it: "If you do, he will drag you down to his level and beat you with experience!"

Sincerely



Editor/Publisher