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# AUSTIN LETTER

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Dear Client:

**The Austin area could be on the verge of a major transformation such as occurred three decades ago when it impressively entered the high-tech era. The planets seem to be aligning to propel the area into the forefront for medical education and research. But is the initial focus too narrow geographically?**

There is no question Austin is the 800-pound gorilla in the 5-county Central Texas metro composed of Travis, Williamson, Hays, Bastrop and Caldwell counties. **But by the very definition of a metro area, these counties and their cities are irrevocably economically intertwined.**

For instance, many residents live in one county and work in another. **Remove the road signs and it's difficult to tell when you leave Travis County** and enter Williamson County, or that you leave Austin and enter Round Rock or Cedar Park or Leander.

Austin is recognized world-wide as an influential high tech city, but the **Austin metro's largest tech employer, Dell Inc., is located in Round Rock Williamson County USA** – not in Austin.

Long before the words “high” and tech” were used in juxtaposition in Central Texas, it was very apparent **the 5-county metro area was growing in importance.**

*(Personal disclosure note: I have long maintained an interest in regional cooperation for the Austin metropolitan area. In fact, in 1980 a small group of us met privately and informally to discuss mutual concerns about the future of the area. Out of those gatherings, we formed a public policy and research group and, intuitively, named it the **Austin Area Research Organization (AARO)**. Its membership has since grown to include **90 leaders from all five metro counties**. I am no longer a member of AARO.)*

Recently, public utterances about this medical school possibility have only mentioned Austin. **There apparently has been no public reference to what is already happening in the medical field in the fastest growing portion of the Austin metro area — Round Rock and Williamson County.** In the next item you'll see why this edition is focusing on the *region*.

**While Austin is making a major move to become a player in medical education and research, another city in the metro, Round Rock, has a significant medical education presence that is growing by leaps and bounds. Will there be competition or cooperation?**

Here is some of what is going on in the Round Rock area. Says one local business leader: "It's pretty incredible what has been happening quietly out east of Round Rock."

**The TexasA&M Health Science Center opened a 250,000 sf. facility in December 2009.** It is already full and doing medical research. TexasA&M has plans for 17 more buildings in the Avery Farms area, with six of those planned for this campus in the next phase.

**Texas State University just opened its second of several planned campus buildings and St. David's School of Nursing is underway.**

**Austin Community College this year opened the largest ACC campus it has ever built** and the enrollment significantly exceeded capacity on day-one. Three more ACC buildings are planned.

**A relatively new "2008" Seton Hospital has just been certified as a Level II trauma center** (one of only 129 in the US). This makes it one step away from Level I, which requires it to have medical residents and research. Seton is already building out the upper floors several years ahead of schedule, due to demand.

All of the above campuses are located in one unified real estate development, Avery Farms. **The Avery family (Charles, John and Nelson)** donated much of the land and is developing the rest on University Blvd (FM1430) east of IKEA. Noteworthy: all of these campuses are within one mile of each other.

But that's not all. **A new Scott & White hospital opened in 2009** just down the road a bit on University Blvd and is currently building out its planned expansion space ahead of schedule. **Several medical office buildings have been built and are open.** And the **Lone Star Circle of Care**, working with the TexasA&M Health Science Center, has grown from one clinic in 2001 to 18 today.

Two years ago, as TexasA&M got a big legislative-supported jump to build in Round Rock, its leaders and UTAustin leaders said all the right things about cooperation if the UTSystem moved ahead with its Austin medical school plans. But last week, Austin's State Senator **Kirk Watson** delivered the definitive speech about Austin's medical plans, outlining 10 steps to be taken, and **not a word was mentioned about what was happening in Williamson County. And, the initial very impressive makeup of the committee that was announced to guide Austin's effort did not include any names from the Round Rock/Williamson County area,** though St. David's and Seton's hospitals were represented. A final thought in the next item.

**As the move to establish a medical school and health science center in Austin rolls forward, a cooperative – not competitive – effort with the medical community in Round Rock should be a cornerstone of future planning.**

The two admirable efforts are part of the same metro, where residents and businesses intermingle daily. **As these two projects achieve their ambitious plans, the net result for Central Texas can be even greater because of the synergy between the two.** We recognize UTAustin and TexasA&M are competitive on the sports fields (for now). But they came together 30 years ago for the greater good, and the Austin area's high-tech position leadership resulted. Hopefully this same cooperative attitude can prevail without narrow interests predominating.

**At a time when cities, states and the nation are embroiled in cost-cutting, budget-tightening debates, the City of Austin and the County of Travis are raising your taxes.**

It's official. As we have been reporting, the city and county have been working on their budgets for next year. They have now adopted a new budget and **your taxes are going up. The City of Austin raised your property taxes the highest amount possible** before hitting a trigger point where taxpayers could petition for an election to limit the increase. **Travis County raised the combined property tax rate by 2.99%.**

That's not all. Keep an eye on the tab for the government services you receive. For instance, the Austin City Council approved a rate increase for water that will show up on your bills after 11/1/11. **The water and sewer service increases amount to 5.1%.** As we have written previously, **your electric bills are also going up. You'll pay more if you use the largest of three trash pickup carts.** You get the picture. Practically every government service and taxing entity in the area will be tapping your wallet for more money.

**Speaking of the cost of *living* in the Austin area, this may be a surprising bit of info about the cost of doing *business* in Austin.**

A study conducted by Jones Lang LaSalle identified the nation's 40 most expensive streets to rent office space. Three streets in Texas made the list. According to the study, **Austin's Congress Avenue is the priciest in the Lone Star State, with office rents averaging \$36.06 per sf., with \$49.19 being the highest amount paid.**

**Dallas' McKinney Avenue had the next highest average for Texas, at \$34.38 per sf.,** topping out at \$40, followed by **Sonterra Blvd in San Antonio where the average rent paid is \$25.16 per sf.,** topping out at \$28.50. The nation's most expensive street for office space: **Sand Hill Road in Menlo Park, CA, where rents average \$114 per sf.**

## What is the bright spot in the Texas economy? Shades of the past, it is oil and gas.

Remember the mantra about the evolving stages of the Texas economy? It started out based on cotton and cattle. Then it moved to oil and gas. Then came the exodus to the cities and the modern description that the state's economy is now driven by technology, manufacturing, services and real estate. **But when you do an economic analysis of the portion of the Texas economy that is booming, you find oil and gas has emerged once again as the bright spot.**

The top revenue estimator for the State Comptroller's office, **John Heleman**, gave **a tepid report about the status of the Texas economy** to an interim Texas legislative committee this week – with one exception. **He said Texas has a long way to go before returning to pre-recession levels of employment and economic growth.** Heleman predicted housing construction statewide would remain flat, “retail trade is probably going to soften a bit,” consumer confidence remains low, etc.

The one exception he cited was oil and gas. **He reported that there are a record number of oil rigs working in the state and that demand for natural gas will rise as the oil and gas industry remains strong.**

**What's fueling (pun intended) this oil and gas industry resurgence? Shale.** Oil and gas is recovered underground in shale formations by a lower cost method called hydraulic fracturing, or “fracking.” “It's a game changer. It is lower risk with more returns,” said an industry exec.

Take South Texas. Owners of land populated by rattlesnakes and not much else are millionaires. Motels are full of oilfield workers. Normally low-rent apartments are raising rates as fast as they can. Motorists dodge trucks day and night as big rigs scurry to and from the wellheads. **Similar scenes are being enacted in West, East and North Texas as well.** Yep, it's a boom all right.

When **Dr. Louis Overholster** told a difficult patient he had psychiatric problems, the patient demanded a second opinion. “Okay,” said Overholster, “you're a jerk, too.”

Sincerely



Editor/Publisher