

THE

Real Estate

AUSTIN LETTER

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Dear Client:

The city of Austin is well on its way to having a 24-hour vibrant downtown community. But challenges remain. Those who live and work downtown will start experiencing a new challenge in a few weeks. And it concerns an old problem: just getting around.

The Executive Director of the Downtown Austin Alliance, Austin-born **Charlie Betts** says **compared to just ten years ago, downtown residents have grown from 4,000 to 9,500.** Additionally there is significantly more retail. Multi-tenant office buildings are experiencing high occupancy. Downtown apartments are almost all full. Hotels are experiencing profitable levels of occupancy. And this sets up one challenge that will be manifest in February.

A \$5.8 million “great streets” construction project will get underway in a few weeks and will take about a year to complete. Between West 6th and West 7th, Colorado Street will go from four lanes to two lanes. It is already two lanes between West 2nd and West 3rd.

Part of what is happening is that the **sidewalks will be widened from 8-feet to 18-feet, between West 3rd and West 7th.** Along these four blocks, **new benches, bike racks, trees and lighting will be installed.** Also, water, wastewater and storm sewer lines will be replaced. As a result, the curbs will be replaced.

Betts acknowledged recently to the *Austin Business Journal* that developing downtown remains a work in progress. And he pointed out that **downtown Austin is about 50% built out and could still be doubled in density.**

In the face of criticism that huge chunks of city expenditures have been funneled into downtown projects to the possible detriment of other areas of Austin, Betts has a quick response. He likes to point out that **downtown, especially with increased density, will result in a much greater tax base for the City of Austin.** And he says this increased city revenue will help pay for schools, libraries, parks and emergency services throughout the entire city.

The Colorado Street project will disrupt traffic flow for the next year in that part of downtown, but there is a **much larger traffic problem facing downtown. Listen to Betts’ view on access into and out of the downtown area** – in the next item.

The number one challenge facing the growth of downtown Austin is access in and out of the Central Business District. And the one man recognized as having his pulse on everything related to downtown favors one long-term solution.

“Downtown is the economic engine of this community,” says **Charlie Betts**, the Executive Director of the Downtown Austin Alliance. (Some would argue UTAustin is a bigger economic driver; but you can forgive Betts’ hyperbole, due to his position.)

Betts bolsters his argument by pointing out in the *Austin Business Journal* that, **based on the current assessed tax value for downtown and the city, it would take an area 12.8 times larger than downtown to produce the same amount in taxes for the city.** (Of course, UTAustin pays no property taxes; it generates economic activity in much broader ways). The downtown advocate continues by saying “building the density downtown is capable of achieving is not just benefiting a select few people – it is benefiting all of the citizens of Austin.”

And “density” is where the number one challenge comes in. If, as Betts says, downtown Austin has the capacity to double its density, how do you get in and out of the area? **“The roadway system servicing downtown is already built out and at capacity,”** Betts admits. So what is his solution?

“We have to look to other modes of transportation to add options and give patrons downtown access,” he says. **“In every great city I have visited, you don’t drive,”** said Betts. **“You use the public transit system.”**

The City of Austin has been spending money, changing regs and actively pushing for years to get Austinites out of their cars. Of course, there are those who disagree with Betts and the city. **Mike Levy**, for one. The former founder-publisher of *Texas Monthly* cites a 1994 memo from a city planner that says **instead of “wait(ing) for people to decide to change their driving habits,” the city should “begin actively changing those habits.”** This infuriates Levy.

“The fact that the majority of the people out in Voter Land want more, and not less, mobility for their cars is irrelevant because we obviously are just too stupid to know what really is in our best interests and what we should legitimately expect in return for our tax dollars. Silly us,” Levy sarcastically fumes.

Levy says the city staff has had a long planned commitment to making downtown into one big traffic jam (again referencing the 1994 memo). After the work on Colorado Street mentioned in the previous story and other reductions in downtown traffic lanes, along with turning streets from one-way to two-way, Levy says **“Next: trolley cars! And lots of intersection collisions.** And so it goes.”

Despite the challenges and the controversy, Betts is bullish on downtown. As he put it: **“the future is very bright for downtown Austin.”** Check out what he means in the next item.

What is happening in downtown Austin that causes one of its leaders to claim “the future is very bright for downtown Austin”?

Despite (or maybe in some cases “because of”) the challenges facing the Central Business District, downtown Austin is changing rapidly and more is on the way. Much of the change is lending itself to the new-found vibrancy of the area. **Interestingly, after a relatively quiet period, major construction is about to get underway.** Some examples:

The **Green Treatment Plant and the Seaholm Development** sites adjacent to, and north of Lady Bird Lake will see construction getting underway soon. Also, a **new high-rise apartment building** in that same area has been announced. **IBC Bank is planning a new office building downtown.** And, of course, **two huge convention hotels** (the 1,000-room variety) are also set to break ground soon, both in the vicinity of the Austin Convention Center. There’s more. You get the idea.

After many years of closed and shuttered buildings on Congress Avenue giving the area a somewhat “blighted” look, **at last count there were 131 retail stores downtown,** many of them reinvigorating the state’s Main Street, Congress Avenue, from the lake north to the State Capitol Building.

One shining retail example is at the main crossroads of Congress Avenue, 6th Street. **The nationally-well-known clothing store, Brooks Brothers, opened and is operating where almost a century ago, Scarbrough Department store was located.** Scarbrough moved out decades ago when shopping malls and retail in general started proliferating in the suburbs.

Speaking of retail, Austin area sales tax collections were running 6% above the previous year as the area moved into the holiday selling season.

The latest figures released by Texas Comptroller **Susan Combs indicated sales tax revenue from November 2011 was up 6.2% for the Austin metro,** compared to the same month in 2010. The November sales tax was collected by the State in December 2011 and reported in January 2012.

The state of Texas showed an even better increase, one that is quite impressive. Combs said “sales tax revenue continues to grow in almost all major economic categories and revenue has now **increased for 21 consecutive months.” The statewide increase in November 2011 was 9.5%** compared to November 2010.

November 2011 was the beginning of the most important retail selling season of the year, kicked off by the Day-After-Thanksgiving Black Friday promotions. Black Friday gets its name because, theoretically, it marks the moment when annual retail sales go into the black.

Texas is being counted on to be a leader on the international oil and gas playing field, and if it goes as projected, the US will have a surer grip on its energy future while at the same time it will reduce the need to import. All this enhances Texas economic prospects.

This is already in the making. It has not been obvious at the gasoline pump, as prices per gallon have risen in the past couple of weeks. Frankly, **gasoline prices are driven by global supply and demand**. So while US consumption is down, China and India and many other parts of the world are soaking up more than ever. So, **gasoline prices are not a good barometer**.

What the oil and gas boom is all about is **creating energy independence for the US**. Right now, US and Canadian oil output is surging. Our friends at *Kiplinger* say that, along with natural gas and biofuels, this will **fill 80% of US fuel needs by 2016**. This is a very significant development. The 80% forecast compares with 68% this year and just 50% in 2005.

Texas and a handful of other states are driving this boom with vast new oil discoveries and cost-effective drilling technology breakthroughs for tapping oil and gas in hard-to-reach shale formations. This method of extracting gas called “fracking” will unlock decades of supply, not only for fuel but for other needs, too. This is good news for utilities, producers of plastics and fertilizer plus other energy-intensive firms. They’ll pay less for the stuff than their foreign rivals.

All this lowers the risk of fuel shortages, should foreign oil shipments be suddenly curtailed. New finds in Texas and elsewhere will make the US a net exporter of natural gas by 2016. This could be slowed by opposition from environmentalists, who cite risks of groundwater pollution from the fracking process. But, in the end, predicts *Kiplinger*, **economic forces will win out**. Canada’s 170 billion barrels of known oil reserves and the big shale gas fields in Texas and a few other US states are too valuable not to exploit, comments *Kiplinger*.

Dr. Louis Overholster, reacting to public transportation proposals for Austin, pointed out that a bus is a vehicle that runs twice as fast when you are *after* it as when you are *in* it!

Sincerely



Editor/Publisher