THE Neal Spelce AUSTIN LETTER

www.AustinLetter.com

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Dear Client:

Driven around the State Capitol complex lately? **What's with all those parking lots and garages on very valuable land**? **Sure**, **state employees and visitors to the Capitol need a place to park**. **But 11 contiguous parking facilities just along San Jacinto Street in about six blocks**?

Is there a higher and better use for that property – roughly within MLK Jr Blvd on the north, Trinity Street on the east, 11th Street on the south and Lavaca Street on the west? **A number of state office buildings are scattered around the capitol in this area**. **They have high value to the enterprise of state government** providing work space for state employees to keep the government machinery humming. But a dozen-or-so mostly low-rise parking garages?

The situation is complicated by the fact the state is **renting space for state agencies in privately-owned properties within this complex**. **Additionally**, **state employees are scattered around Austin** (primarily to the north of the Capitol) and the state owns some of those properties.

Would state government operate more efficiently if all these employees were consolidated into state-owned buildings in the Capitol Complex? What if the parking garages were all torn down and **replaced in a more efficient manner by a combination of new state office buildings and parking facilities**?

The state already owns the land under the parking lots and garages. The vacated state office buildings and property could be **sold to private interests**, **generating revenue for the state** – to help offset the cost of new construction. The savings on the rent the state currently pays would also help the financial picture.

A similar plan has been floated in the past. And deep within the bowels of the Texas Facilities Commission work is continuing to move the plan forward. **It is a long way from reality** and there are problems and opportunities galore. Such as? Well, for one, will state leaders have the appetite to **incur the necessary financial obligations**? Also, the number of state employees that would be re-located to the new state offices is estimated at 12,000. This is a big undertaking. But one *long-range benefit*: if the state sells off the properties outside the complex, those **properties under private ownership would start paying property taxes**. Currently, state office buildings, parking lots and garages don't pay property taxes.

Any city in the US would be in hog heaven if thousands of jobs were presented to them by two different well-known corporate giants, within weeks of each other. Austin was the only city in this unique position and it's interesting how it is all shaking out.

We're talking about Sears and Apple. Sears held out the promise and prestige of **moving the Sears corporate headquarters from a Chicago suburb to Austin**, and in the process, creating 6,000 jobs. **Apple's possibility was a $304 million investment in Austin**, expanding its "branch" operations in Austin that would ultimately create 3,600 more jobs. Two large businesses – but very, very different. And we mean *Different* – with a capital "D."

First, Sears. It would be hard to name a more venerable American retail institution. It was founded more than a century ago. Even when a Sears store was not in a US city, its catalogs could be found in rural outhouses all over America. The company founded by **Richard Warren Sears** and **Alvah Curtis Roebuck** was so successful, it completed the world's tallest building in the early 1970s and the Sears Tower in Chicago became a symbol of retail success.

But your grandparents'/greatgrandparents' Sears changed dramatically in recent years – even months and weeks. Earlier this year, Sears announced it was **closing as many as 120 poorly performing Sears and Kmart stores**. Then, just last week, Sears said it planned to **close 62 *more* stores** in the first half of 2012. And prior to that, Sears announced it was separating its housewares, outlet and some hardware stores from its core business to raise capital.

Sears is struggling. Click on the "Archives" button at the top of this page to go to our 1/6/12 edition for a report on how Sears may have manipulated Austin as it desperately sought tax benefits and money as part of a corporate HQ "move." In hindsight, it's good Sears decided to stay put. **Now what about Apple**? **Apple is a whole other animal**. Sure, it's seeking tax incentives to make its $304 million investment in Austin. Practically every company seeking an expansion or re-location is doing so these days. But Apple is not doing this out of desperation.

Apple's market cap is more than all US retailers added together. In fact, Apple's massive *cash* figure is almost twice the cash balance of the company with the next biggest hoard, Microsoft. **Apple had nearly $100 billion in cash and equivalents at the end of 2012**. After years of hanging onto its cash, Apple this week said it would return some of its cash pile to investors in the form of **dividends and stock buybacks at a cost of more than $10 billion a year for the next three years**.

Well, won't that greatly diminish the financial strength of Apple? Nope. *The New York Times* reported Tuesday that **Apple "is attracting so much cash — $1 billion a week in the last holiday season alone – that the move will not put a dent in Apple's coffers**." Not only that, Apple is on a roll: sales in the 2011 holiday period grew 73% over 2010, which itself was 70% over the 2009 quarter. Which would you choose for Austin – Sears HQ or Apple's "branch?"

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The creation of new jobs in the Austin area continues to be among the tops in the nation. In the latest numbers, covering a 12-month period, the Austin metro is the 2nd Best Performing among the nation's Top 50 Metro areas.

The Austin metro area added 26,800 jobs, or 3.5%, in the 12 months ending in January 2012. This was reported by the Austin Chamber's VP/Research **Beverly Kerr**, following her analysis of preliminary payroll jobs numbers by the Texas Workforce Commission and the US Bureau of Labor Statistics.

> "**Austin's 3.5% growth rate makes it the second best performing among the 50 largest US metros**," she noted. **Houston** does best with year-over-year job growth of 3.7%, to lead the nation. **Fort Worth** is the fifth fastest growing with a 2.9% increase. **Dallas** just misses the Top Ten with 2.2% growth and **San Antonio**'s 1.3% put it at 31st.
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> Houston's percentage job growth – fueled by the oil and gas boom – was most impressive because, with such a large population base, **the percentage increase represented a whopping 94,700 new jobs during the past 12 months** ending in January. Its tally was tens of thousands more new jobs than anywhere else in the nation. Quite impressive.
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> When you drill a little deeper to find out where the job growth is occurring in the Austin metro, it is interesting to note that Austin's **government sector *lost* 1,400 jobs** over the previous 12 months. **However, each private sector industry category in the Austin area *added* jobs to the tune of 28,200**. Subtract the government job loss and you get the job growth number above of 26,800.

To put an exclamation point at the end of this report, consider this: **while most of the nation's cities are struggling mightily to pull out of the Recession, Austin is now 16,200 jobs *ahead* of its pre-recession peak jobs total**! And, as the previous story indicates, the Austin jobs momentum is continuing at a solid pace.

Austin's pace-setting economic growth is helping the area housing market.

Sales of existing single-family homes were up 16% in February 2012, compared to the same month a year ago. And, significantly, this represented an **increase in sales for nine consecutive months**, according to the Austin Board of Realtors. ***Pending* sales were up 25%** from the same time last year. And it will take only 4.2 months to sell the remaining homes listed for sale, **tipping the scale in favor of home *sellers*, rather than buyers**. Homes are selling more than two times the national rate. **No wonder Realtor.com ranks the Austin area the 2nd best real estate investment market in the nation.**

While Texas higher education institutions are toeing the budget line, it is nothing like the financially-strapped California State University system that announced it was closing the door on new admissions in spring 2013.

A drastic cost-cutting strategy was announced this week for California State University's 23 campuses. **As part of a plan to reduce enrollment by about 16,000 students next spring, officials said no new admissions, with a few exceptions, will be accepted for the spring semester of 2013** – a time when thousands of students, mainly transfers from community colleges, flood the CSU campuses to finish their college education.

Another 20,000 to 25,000 qualified students could be barred from attending CSU in the 2013-2014 academic year if California voters reject a proposed tax measure that has yet to be qualified for the November ballot. According to the *San Francisco Chronicle*, failure of the tax measure would trigger an automatic funding cut of $200 million for CSU.

This would come on top of a $750 million budget hit that CSU already took this year. **CSU reports its budget gap stands at half a billion dollars**. The CSU trustees have already raised tuition and mandatory fees for next fall to $7,017 – not counting room, board and books. That's *double* what CSU cost in 2007-2008.

What would CSU's 23 campuses look like if the tax measure fails to pass? Well, CSU's enrollment of about 417,000 could drop to about 380,000 students by fall 2013 and a CSU spokesman said the university is looking at **reducing employees at all levels, from staff to faculty to administrators**.

CSU's campuses are *not* part of the big University of California System that contains such research/teaching giants as the University of California at Berkeley. CSU includes such institutions as San Francisco State University.

An upset patient said **Dr. Louis Overholster** does the work of three men: Larry, Moe and Curly.

Sincerely

Neal Spelce

Editor/Publisher