

THE

Real Speake

AUSTIN LETTER

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Dear Client (with apologies for being several days late with this edition):

After two years of hype, skepticism, optimism, controversy, starts-and-stops, the international Formula One racing event has come and gone. The reviews and analysis will continue for weeks, maybe months. But here is a clear-eyed view from 30,000 feet of what this means for the Austin area.

Let's start with the criticism heard most often from the outset: **this high-dollar, jet-setter event is "not Austin."** After all, the Formula One-ites are already in Sao Paulo Brazil readying for this weekend's final event of the racing season. Critics argued that the 200-mph racing season was not very popular in the US, much less in laid-back/high-tech Austin. Very few people from Austin will attend. Turns out, the critics were right. But this view **totally misses what an international sports spectacle such as Formula One means for the host city.**

A perspective: **Austin is one of today's unique American cities because it has evolved in significant ways** over the past half-century. As late as the 1960s, Austin was viewed as a state-university, state-government "small" city. Austin Chamber officials worried about a national PR campaign to "get the word out" to attract **environmentally sound businesses to create jobs and to shift the property tax burden from residences to businesses** — realizing that educational and governmental facilities paid no property taxes.

As the evolution to a high-tech mecca with a parallel development of music and entertainment venues, **many long-time residents complained about the loss of "Old Austin."** They were right to express those feelings because they "lost" some of what they loved about the city.

One of the major changes that has impacted Austin is personified by the moniker "Live Music Capital of the World." **It didn't occur overnight. It evolved.** So much so that each March **one of the most recognized and largest music events in the world, South By Southwest (SXSW),** was born and has since evolved to include film and high-tech interactive, reflecting a continually-changing Austin.

Now consider Formula One in this context. **In many ways, SXSW and Formula One are similar in their impact on Austin** — though, no pun intended, Formula One went from a zero-to-200 mph impact much quicker. Check out the next item for further details of this evolution.

South By Southwest (SXSW) and Formula One have many similarities. How's that? A music-film-interactive, unique-to-Austin festival and a jet-setter auto racing event that few Austinites had even heard about? Yep, and this phenomenon represents the next evolution of the area.

Consider just one similarity: the viability of both events does not depend on the participation of Austinites. Think about it. **The number of Austinites participating in Austin-centric SXSW is not a main ingredient for SXSW** (1st clue: full hotels; 2nd clue: packed airport). **The number of Austinites participating in international-centric Formula One is not a main ingredient for Formula One** (1st clue: full hotels; 2nd clue: packed airport).

There is no question that Austin as a *location* is important for each event. **But to state it crassly *you, who live and work here, are not essential.*** And for that matter, local residents make up a small percentage of those who participate in the festivities. Really, when was the last time you fought the inebriated SXSW crowds to stand in line to hear an obscure band in a small venue? Same for the difficulties attending Formula One (although its "first-ever" status had a unique appeal)?

Many people view events through the prism of their own lives. If they like it, it's great. If not, it's not for them. As it should be. But that doesn't mean it's good or bad. So let's circle back around to consider Formula One's role in a changing Austin. **Can Austin assimilate something that doesn't appear to fit an "Old Austin" mold – especially with the benefits that accrue to the host country/locale?**

It will take at least one more year to fully assess whether Formula One becomes an important part of Austin's culture. One essential element is what it does to Austin's image outside the city limits. For instance, the telecast this past weekend was available in 200 countries, but on fairly obscure cable channels. Next year, NBC begins a four-year-deal that will give much wider exposure to Austin's leg of Formula One. It is planned to air on KXAN, Channel 36 in Austin.

Other obvious benefits include the economic kick from visitors with deep pockets. And the money spent wooing those participants. Those dollars flow through the Austin area. For instance, restaurant/hotel employees buy groceries, get haircuts, fill 'er up at the pump, etc. – normal everyday living expenses.

What we have with Formula One is an evolution for Austin unlike what has happened in the recent past. It is not just "another music fest" that attracts a similar out-of-towner to each music-related event. Formula One *aficionados* are generally a different, desirable breed of visitors. **In other words, Austin's assets have been exposed to a new target market.**

Also don't discount the **impact of a sports-related event.** The Texas Longhorn football team packs hotels and the airport six times a year. But Austin is one of the few major cities without a professional football or basketball team. Now it has leap-frogged to the international level.

Looking for a home equity loan during these times of low mortgage interest rates? There is a report that home equity lending may be loosening.

Of course, financial institution interest rates are driven more by national policy than local banking guidelines. With that in mind, our friends at *The Kiplinger Letter* are reporting that **home-equity borrowing is beginning to perk up.**

Obviously the basic requirements are still in place. Typically, total borrowing including the first mortgage and home-equity loan or line of credit (HELOC) **cannot exceed 80% of a home's market value** and borrowers often need a minimum FICO credit score of 680 to 700 to qualify.

Kiplinger reports that **credit unions and regional banks have been leading the way** in granting new home-equity loans and HELOCs to borrowers with good credit.

It further reports that with a HELOC, you may be able to **avoid closing fees if you agree to keep the line of credit open for a certain period.** *Kiplinger* also warns you should check to see whether a HELOC's interest rate has a lifetime cap.

Austin president Bill Powers has a personal achievement, on behalf of the university, for which to be thankful this Thanksgiving. He has been tapped to head the premier organization of national research universities, both public and private.

Back in 1900, 14 PhD-granting universities formed the Association of American Universities (AAU). Its objective was to protect and advance the interests of research-intensive universities. As Powers put it: **"it's important that America's top research universities speak with a united voice in matters of national higher education policy,** and the AAU provides that voice in Washington and across the country."

Powers has just been elected vice-chair of the AAU. "This means that **next year I'll have the honor of serving a one-year term as the group's chair,**" he said.

How signal is this distinction? Membership is hard-won. **There are only 61 current member institutions. In Texas, only UTAustin, Rice (admitted in 1985) and TexasA&M (admitted in 2001) are members.** UTAustin has been a member since 1929.

During these next two years of Powers' tenure as vice-chair and chair of **the nation's most prestigious group of universities,** the profile of UTAustin on the national and world stage should continue to be raised.

The slapping sound of pats on the back have been echoing throughout the very wide and diverse group that supported the successful passage of Proposition One. For good reason. This was a big step toward making a medical school on the UTAustin campus a reality. But one man's vision appears to have been overlooked.

The organization and planning behind the effort would not have been possible at this time if it had not been for the vision and persistence of one man who pressed for the medical school at the highest levels. **Take a bow, James Huffines.** Huffines was an indefatigable med school proponent long before many of those who worked for the successful passage were involved.

Huffines, a banker, has been at the fount of power in Texas for some time. Go back to the governorship of **Bill Clements.** Huffines was the guy in charge of recommending agency appointments by Clements. Then Huffines received one of the plum appointments any governor can make. **He was named a member of the UTSystem Board of Regents.**

But Huffines was not just *a* regent. He was very active and persistent on issues he felt strongly about and was a logical choice as Chair of the Board. **Huffines made a med school in Austin a personal priority. He brought life to the project.** As you may know there were **many twists and turns along the way** – such as roles for the Galveston medical school or UT Southwestern med school. Huffines persisted and slowly but surely it took shape.

During this time, the boyish-looking banker was **elevated in the ranks of the Plains Capital banking organization and necessitating his move back to Dallas.** In effect, he dropped from public view here in Austin as the med school project gained momentum and other leaders stepped to the forefront.

Make no bones about it – **Huffines launched the idea and was the early stage driving force.**

Dr. Louis Overholster likes to point out that age is a very high price to pay for maturity!

Sincerely



Editor/Publisher