



Volume 36, Number 16

July 11, 2014

Dear Client:

**Downtown Austin has gone through a number of economic transformations. Back in the day, the tax-exempt State Capitol and various state office buildings complemented retail establishments clustered on Congress Avenue. Then retailers fled downtown as shoppers flocked to the new-fangled concept of malls in the suburbs. Now? Well, downtown Austin is the economic driver of our region's property tax base. And that's not all.**

It's the place for that special night out. It serves as the starting point for many of the region's 19 million – yes, that's correct! – annual visitors. **And downtown Austin's 10,000 residents are joined by 125,000 people who go to the urban core daily for their jobs.**

But when you examine one aspect of downtown's economic impact, you realize how much **property tax revenue it generates for the City of Austin to spend for citywide services.**

For better or worse, property tax revenue is a major source of funding for much of the City of Austin's services. **Yet, almost one-third of downtown property is tax exempt.** The state capitol, city hall and the county courthouse, as well as the various governmental office buildings and even UT Austin's many facilities, don't pay property taxes.

**So how do you figure downtown is the most efficient property tax revenue producer?** Look at the revenue per acre. It's called density.

The value of an acre in downtown Austin is about **28 times more potent than values in the city.** Go beyond the city. To Travis County. The value of a downtown acre is **80 times more potent than the county on average.**

It's easy to see this when you realize Austin's tallest building, **the Austonian, has a value of \$468 million per acre.** Even the historic **Driskill Hotel (\$68 million per acre) and its venerable neighbor the Littlefield Building (\$60 million per acre)** contribute to this great and growing property tax base downtown.

The Downtown Austin Alliance commissioned a consulting firm, Urban3, to run these numbers, and Urban3's **Joe Minicozzi** just recently released the results of his study of taxable values across Travis County. It starts to quantify what **downtown means to the overall community.**

**The MoPac Improvement Project is the most visible of tollway efforts in the Austin area. The West Austin project is not the first, nor will it be the last. Austin City Council candidates better get up to speed. Because current and proposed projects will course through all but one of the ten new council districts.**

Right now, the Central Texas Regional Mobility Authority (CTRMA or the RMA) has **nine Toll Roads and Express Lane projects completed, under construction or under study in the Austin area.** This is a significant undertaking with a value of \$3.143 billion in the completed and planned projects. For comparison, San Antonio has only three projects completed, under construction or under study for a value of \$1.3 billion. (Full disclosure: we are consulting with CTRMA on the MoPac Improvement Project).

You may recall in our newsletter last week (click the “Archives” box at the top of the page to go to the July 4<sup>th</sup> 2014 edition) we pointed out the ten Austin City Council members to be elected from new single-member districts in November will only be answerable to about one-tenth of the city’s population. **And we further pointed out that major issues – such as transportation – overlap the new districts and have a citywide impact.**

In fact, each new city councilmember’s district – except for one – will encompass a toll road or express lane project. Not only that ... **two of the new council districts with have three – count ’em, three – different projects slicing through their boundaries.** Conversely, one project encompasses 4 districts. And, of course, motorists from outside those districts will be using these roadways.

The projects: **183A Toll**, open through Cedar Park to Leander ... **Manor Expressway (290 Toll)**, final phase completed May 2014 ... **MoPac Improvement Project**, opening late 2015 ... **MoPac South**, studies underway for area south of Lady Bird Lake ... **Oak Hill Parkway**, study in progress ... **Bergstrom Expressway**, study for primary route to airport ... **SH 71 Express**, improvements from airport to SH130 ... **183 North**, between RM620 and MoPac ... and **SH45 SW**, study in progress.

Here’s how these projects impact each new City Council District: **183A** (Dist’s #6, #10) ... **Manor Expressway** (Dist #1) ... **MoPac** (Dist’s #7, #9, #10) ... **MoPac South** (Dist’s #5, #7, #8, #9) ... **Oak Hill** (Dist #8) ... **Bergstrom** (Dist’s #1, #2, #3) ... **SH71** (Dist #2) ... **183 North** (Dist’s #6, #7, #10) ... and **SH45 SW** (Dist’s #5, #8). The only City Council district *not* impacted is District #4.

In making its case, the RMA wants the City Council candidates to understand that federal and state highway funds are drying up ... tolling allows projects to be expedited ... **the Mobility Authority never tolls an existing non-tolled road; it just adds capacity** ... free roadway alternatives are always available and in several projects expanded ... and in many cases, bike paths and pedestrian trails are part of the construction project.

**With temps in the mid-to-upper 90s straining air-conditioners in the Austin area this week, electric bills are sure to soar – except in one neighborhood that is gaining national recognition for tracking every watt of energy down to how much extra energy is used when you open the door to the refrigerator. And that tracking results in lower utility bills.**

Here's how *TIME* magazine put it: **“Dan McAtee’s and Laura Spoor’s utility bill last year came to \$631. That’s not bad considering the average annual electric bill in Austin is more than \$1,000, largely because air-conditioning may be the only thing locals love more than barbecue. But it’s even more impressive once you realize the bill actually came to a *negative* \$631.”** The solar panels on their roof helped McAtee and Spoor produce more electricity than they consumed.

While the solar panels on their roof stand out, what really sets McAtee and Spoor’s home apart can’t be seen at all. **“Smart circuits are tracking their electricity use on a minute-by-minute and appliance-by-appliance basis, providing a running record of how power flows through their home,”** reported *TIME* in a recent edition.

**“When Spoor opens the refrigerator to get a pitcher of lemonade, the readings spike for a moment, reflecting the extra watts consumed as the appliance compensates for the rush of warmer air,”** noted *TIME*. “On his computer, McAtee opens a website that shows in near real time the rise and fall of their electricity use over the months.”

**This is part of the most extensive energy-tracking study in US history.** And it can be found in northeast Austin at Mueller (pronounced MILL-ur), the planned green community built from the ground up when Robert Mueller Airport moved operations to the new Austin-Bergstrom International Airport. **Hundreds of households signed up for the Pecan Street Inc. research group’s data-gathering effort that is unprecedented in the electricity industry.**

**Researchers track when and why Mueller’s residents consume power and how fast-growing new technologies – like solar panels, connected appliances and electric cars are affecting the grid** (Mueller has more electric vehicles per capita than any other US neighborhood). This enables homeowners to understand the financial implications of their actions and to reduce costs accordingly.

Pecan Street’s research has already upended the conventional wisdom that solar panels should face *south* to catch the most total sunlight and produce the most power. Pecan Street found it’s better if the panels **face west to catch the most sunlight and generate the most electricity at the very moment in late afternoon when power usage is highest** and utilities often bring polluting power plants online to prevent brownouts.

There’s a lot more in *TIME*’s lengthy article about Austin’s Mueller neighborhood. By the way, *TIME* headlined the article: **“Is This America’s Smartest City?”**

**Reaction is rising to the increasing tax burden on Austin area homeowners. And the likelihood is the concern will continue. Four examples illustrate what is happening.**

It's long been known the value of area homes is increasing. And while the **increased value of a home means an increase in a significant personal asset, it also comes with a tax burden that, in some cases, is a whopper.** Take the desirable West Lake Hills area in the highest-rated Eanes school district. Strong demand is pushing prices higher and the tax appraisals reflect it, though the percentage increases vary widely.

A home on **Terrace Mountain Drive** was assessed at \$927,515 in 2013 (taxes: \$18,550) and its 2014 value was set at \$1,276,420 – **a whopping increase of 37.62%** in one year, for a **new tax bill of \$25,528.**

A home on **Wild Basin Ledge** was assessed at \$1,199,779 in 2013 (taxes: \$23,355) and its value in 2014 was placed at \$1,341,357 – **an increase of 10%** in one year, for a **new tax bill of \$25,690.**

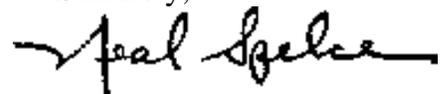
A less expensive home on **Rocky River Road** was assessed at \$712,237 in 2013 (taxes: \$14,245) and its value was pegged at \$825,561 in 2014 – **an increase of 10%** in one year, for a **new tax bill of \$15,669.**

Another less expensive home on **Buckeye Trail** was assessed at \$481,033 in 2013 (taxes: \$9,621) and its 2014 value was set at \$615,237 – **an increase of 27.9%** in one year, for a **new tax bill of \$12,305.**

Six different taxing jurisdictions run up the tax tab: **Travis County ... Eanes Independent School District ... City of West Lake Hills ... Water District #10 ... Travis County Hospital District and Travis County Emergency Services #9.** (The kicker: each example is currently listed for sale with **asking prices higher than the increased appraised value!**)

**Dr. Louis Overholster** is convinced the lottery is a tax on people who are bad at math!

Sincerely,



Editor/Publisher