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Dear Client:

It's crunch time for UTAustin. This is the word from school president Bill Powers, who is pressing to raise about \$600 million in the next nine months.

Don't worry, UTAustin will not close its doors if that amount is not raised by the deadline. **The total is the amount remaining to be raised to reach an amazingly ambitious goal of \$3 billion in capital contributions.** "The campaign for Texas is in its eighth and final year, and we're three quarters of the way toward our \$3 billion goal," said Powers.

"Our goal is within striking distance," noted Powers. **But it's a big stretch to get there.** Sure, UTAustin has raised an impressive \$2.36 billion since the start of the campaign. And that's already an **unprecedented amount for a capital campaign in the state of Texas.** But the effort to raise the *remaining* amount will mean UTAustin must break all its records for a one-year fundraising effort.

To give you a idea of the size of the challenge, consider that prior to last year, UTAustin set an annual giving record when it tallied \$366 million. Then, **last year, it broke that record big-time by raising \$453 million.** Now it is facing a task of raising about \$600 million this year if it is to reach the \$3 billion goal. **"We will need one more exceptional year, an effort that dwarfs anything we have seen so far,"** admits Powers. It's off to a good start with a \$60 million contribution this month from the former chair/CEO of ConocoPhillips.

To bolster his pitch, Powers points out that in 2013-2014 rankings **UTAustin is 16th among public research universities and 27th worldwide.** He notes that in the past 10 years, UTAustin has filed more than 2,000 patents, signed 274 licenses and generated more than \$128 million in licensing revenues.

As far as teaching, Powers says "we have transformed the undergraduate experience" and **36,146 gifts have been earmarked for students and 3,072 gifts for faculty up to this point.**

More than 1 million gifts so far have gone to programs and research to "help us make the world better by providing us the resources to **make new discoveries, create new technologies, and share our knowledge with the world** in new ways," said Powers. Now, facing its steepest fund-raising challenge yet, Powers is seeking more funds saying "Let's make history together."

Only one other hotel construction project in the US is larger than Austin's JW Marriott Austin hotel, where construction officially topped-out at 34 floors on Congress Avenue this week. And other hotel investments are in various stages of development in downtown.

When you step back and analyze what is happening, you realize you are in the midst of a **major economic transformation in Austin's history**. Whaddaya mean? The fact there are a few new hotels in a growing city is economically transformative? In this case, most certainly. And the impressive JW Marriott Austin hotel is a symbol of the **growing importance of travel and tourism as a major underpinning of Austin's economy**.

More than 1,000 rooms and massive amounts of square feet devoted to meeting spaces and public functions, such as restaurants (all just a few blocks from Austin's Convention Center), will **set this landmark hotel apart – until a 1,000-room Fairmont Hotel comes online soon thereafter across the street from the Convention Center**. Get ready for major league competition.

This isn't all. Just a few blocks north of the JW Marriott, at 7th and Congress Avenue, a **450-room hotel is going through the early stages of city permits and approvals**. It will be within a stone's throw of similarly-sized existing Stephen F. Austin Hotel, the Driskill Hotel and the Omni Hotel. **Don't forget other new hotels are coming along** – a Westin Hotel, Zaza Hotel, Hotel Indigo and Hotel Van Zandt. Others have opened recently. A critical mass is developing.

Now, think about all the tourist-attracting events that are multiplying as fast as food trailers, exemplified by events such as **Formula One and the upcoming X Games that are televised worldwide**. Add these on top of our long-standing attractions such as the Highland Lakes, the State Capitol, nationally-renown cultural attractions and museums. Hell, even Longhorn football. **This place is becoming widely-recognized as one of the nation's top tourist destinations**. Travel-generated dollars are major economic boosters.

Not long ago, Austin was simply a stop along the tourist and convention way to San Antonio, where the Alamo and other attractions always topped the charts. Move over, San Antonio. **Austin has the attractions -- and the momentum**.

These new hotels will exponentially increase the travel business. They don't just sit there and wait for the "reservations" phone to ring. They invest major bucks pitching groups all over the US and internationally, to attract meetings and conventions to their properties, while pitching the benefits of gathering in Austin. Travel dollars are clean dollars that circulate widely throughout an area.

By the way, be sure you always refer to the hotel as the "JW Marriott," not just "Marriott." **The "JW" brand is the upscale version of the traditional Marriott hotels** that have been around for decades. They haven't built very many "JWs".

The Austin area's economic underpinnings have evolved steadily and strongly over a relatively short period of time – to reinforce the stability and dynamism that characterize Austin's position as a national economic leader. Now a new underpinning is emerging.

If you telescope the past 50 years – “a relatively short period of time” in the evolution of a city – you will see what is happening through three different and complementary phases. **And, it should give you some comfort about the future strength of the Austin area.** As the area evolves, these building blocks reinforce a solid economic foundation.

The first basic building block has been in place almost since the city's founding. As the seat of state government and the home of an economic powerhouse of a university and other educational institutions and facilities, **governmental payrolls are a hallmark of Austin's stability and certainty.** These jobs have been growing as the area and the state have grown.

Then, just 50 years ago – in the 1960s – industrial investment in the area began the second phase with the likes of IBM and Texas Instruments setting up shop in Austin. This phase expanded exponentially -- starting in the 1980s. With MCC, SEMATECH, 3M and Dell leading the way, the skyrocketing expansion of leading-edge technology companies pushed Austin into today's national technological stratosphere, providing more than 27% of the area's paychecks.

These two diverse economic phases are well-known and have been widely chronicled. But a third phase has been largely overlooked and it is now emerging to become the **third economic underpinning – travel and tourism. Conventions and meetings are big business in many major American cities.**

Most of those sessions are conducted by industry and professional associations and societies. With more than 200 such groups headquartered in Austin (largely because of the proximity to state agencies and the Legislature), **the Austin area is a natural for such meetings.**

But until the City of Austin opened the Neal Kocurek Convention Center in 1992, **Austin was behind the curve when it tried to appeal to this market.** Plus, there were **not enough hotel rooms in a concentrated area to make major meetings feasible.** The Convention Center expanded in 2002. For a long time though, Austin suffered from the chicken-egg syndrome.

Finally, hotel operators began to see the potential and are now taking the financial leap to add thousands of hotel rooms in proximity to the Convention Center. The previous story points out what is happening currently. Within the next 2-3 years, when these new hotels are open and aggressively seeking meetings, Austin will move into the major leagues of the convention business. These travel dollars will flow throughout the area – at the same time governmental payrolls and tech companies continue their growth. A solid economic trifecta.

Underscoring this underpinning was the announcement this week that a record 10 million travelers (10,017,058, to be precise) flew through Austin-Bergstrom International Airport (ABIA) in 2013.

This was not an anomaly, as it marked **four consecutive years of consistent passenger growth** at ABIA. In addition to the *passenger* growth, air *service* also increased. **British Airways** announced it will begin Austin-London Heathrow nonstop flights 3/3/14.

Three other new carriers added service in Austin this past year: **Aeromar** to Mexico City, **Allegiant** to Las Vegas and **Virgin America** to San Francisco. And new nonstop service was added to New Orleans and Cleveland on carriers already operating at ABIA.

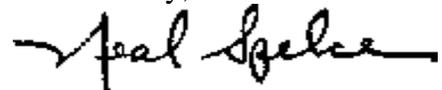
Don't know if you noticed, but the Austin area's unemployment rate improved to a very impressive 4.5% in December 2013 – the best in more than five years.

What stands out about this, besides a lower number of out-of-work people? First of all more people are moving to Austin every day and many of them are looking for work. Secondly, current unemployed residents are also seeking a job. So when the overall unemployment percentage drops to a five-year low, you know **the Austin job marketplace is absorbing newcomers and locals alike at a brisk, enviable pace.** Better than most US cities, by far.

Not everyone moving to Austin is looking for work. Some are moving to Austin *not* to work, if they follow the suggestion of *Forbes* magazine that placed Austin on its “25 Best Places to Retire in 2014”. It was the 2nd year in a row for Austin to make this national list.

Dr. Louis Overholster, analyzing some of his patients, has come to the conclusion that a well-adjusted person is one who makes the same mistake twice – without getting nervous!

Sincerely,



Editor/Publisher