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Dear Client:

**The City of Austin initiated a legal fight this week that will kick off a knock-down-drag-out battle impacting some of the most powerful business interests throughout the entire state of Texas. As if the widespread scope of that action was not enough, a representative from the Travis Central Appraisal District (one of the entities the City is suing) was present at the city's news conference. So, you have plaintiff and defendant working in concert. Hmmm.**

The legal action has been cussed and discussed in Austin for some time now. The claim is that **commercial properties and vacant land are not being appraised for tax purposes at their actual value**, due to the fact Texas is one of 12 states where property sales prices are not publicly disclosed. Austin claims commercial property sales prices must be disclosed in a similar manner to sales of residential properties. And, it is asking the court to so rule. It argues appraisers need more data to assure commercial property owners are paying their fair share.

Sure, the lawsuit is local, with commercial property owners in Travis County the target. But the impact is wider than that. State Senator **Paul Bettencourt** said “just because the City of Austin feels that TCAD (Travis Central Appraisal District) **isn't appraising commercial property correctly doesn't mean that they can just overturn the property tax system for the rest of the state.**”

This whole incident hits close to home for Republican Bettencourt. He is a former Tax Assessor-Collector of Harris County (Houston). “Additionally,” the Senator continued, “the City and the TCAD should not be able **to appear together at a press conference or trial as the plaintiff and defendant without a clear conflict of interest being raised in fact.**”

Mayor **Steve Adler** at his news conference this week revealed he was aware of the **far-reaching implications of the city's actions when he made references to the Supreme Court and the Texas Legislature.**

Bettencourt also signals the battle will not be simply limited to the City of Austin and the entities named in the city's lawsuit. “The lawsuit not only appeals the values, but **blames the state for having the uniform and equal protection as well as a lack of sales price disclosure. These are taxpayer protections well established in law, and any suit to overturn them is frivolous.**” The City of Austin is in for an expensive, widening legal war.

**The Austin area's enviable economic dynamism has been carefully chronicled by us and others over the past few years. It's reached the point where another #1 ranking for this-or-that has become almost ho-hum. (Not really. Just exaggerating to make a point.) While what is happening *here* is unique in its makeup, the *Dallas* area is posting an amazing economic growth story of a different nature – the location of corporate headquarters.**

It really is something to behold. Ponder this fact, as reported by the *Dallas Business Journal*: **The Dallas-Fort Worth area has more than 10,000 company headquarters – the largest concentration in the United States.** Hey, whatever happened to that bulwark of corporate hierarchy, New York City? These are not rinky-dink HQs in the D-FW area – **21 of them made this year's *Fortune* 500 list of the nation's largest companies and 18 others ranked in the top 1000.** And eight more companies with HQs in the Metroplex are on *Fortune's* list of largest privately-held US firms.

**This is a two-sided coin.** When a company locates in Texas, it leaves someplace else like California or New Jersey. Good for us, bad for them. Take Toyota, the largest carmaker in the world. It moved its North American HQ to the Dallas suburb of Plano. When all is said and done, **all of Toyota's major North American divisions – engineering, sales, marketing, finance and corporate services – will be Plano-based and those functions are now located in offices in California, Kentucky and New York.** See what we mean. We win, they lose.

We could go into a lot more detail about the big corporate names now calling the Dallas-Fort Worth Metropolex “home.” Names such as American Airlines, JC Penney, ExxonMobil, but you get the picture. **The monster D-FW airport is one of the major draws for the area.** “You can go anywhere in the world from here,” crowed one CEO. Even the **accidental location in the Central Time Zone** has great attraction to companies with operations on both US coasts.

Another important point: **the D-FW economic phenomenon is not competitive with the Austin economic phenomenon. The economic differences are complementary.** They both add to the strength and the diversity that keeps Texas humming, even in times of a slowdown in other sectors, such as you're seeing right now with the bottoming-out of oil prices.

**California, Texas' favorite competitive economic whipping boy, has once again ended up on the wrong end of a business ranking – this time from a San Francisco-based research outfit.**

The Pacific Research Institute (PRI) has ranked the regulatory climate for small businesses in California the worst out of all 50 states. **“California's regulatory policy makes it more difficult and more costly for current and potential entrepreneurs,”** noted PRI. “More broadly, **the regulations are raising the cost of living for all Californians.”**

**Speaking of California, it is sinking to new lows – literally. It’s called subsidence. Some sections of the state are sinking more than two inches a month. The rate is accelerating because the state’s extreme drought is fueling voracious groundwater pumping. And, according the publication *LiveScience*, this could have long-term consequences.**

The Austin area has had its share of drought woes over the past five years. In fact, to a lesser extent, it continues today with **once-a-week restrictions on lawn watering. And, the drinking water reservoirs Lakes Travis and Buchanan are still not “full.”** But it hasn’t reached the level of devastation seen in California today, coupled with wildfires destroying portions of the parched state. So, what is happening there is informative for the Austin area.

Some examples of the impact of groundwater pumping: 1) regions of the Tulare Basin, which includes Fresno, sank 13 inches in just eight months, and 2) the Sacramento Valley is sinking about 0.5 inches per month. The concern is that **bridges and highways can sink and crack in dangerous ways and flood-control structures can be compromised.** Vigilance is needed.

**As far as infrastructure is concerned, here is an update on the ambitious private-sector plans to build a bullet train system to initially connect Dallas and Houston, that in due course, could also link Austin to the system.**

An important milestone has been reached. The federal agency charged with determining the corridor for the train has **recommended a route for the train to follow.** This is critical because a rail line will criss-cross governmental and private property boundaries as it travels East Texas between the two metro areas.

And the recommendation is logical. **The feds suggest following major electrical transmission lines – a utilities corridor that is already in place.** This not only minimizes right-of-way issues, but bullet trains guzzle electricity and a route along transmission lines helps the train have efficient access to electricity.

This is a *general* route outline. **The precise alignment, within those boundaries, still must be ironed out. Condemnation of land, using eminent domain, could still come into play.** So this is a first-step in an intricate process.

You may recall from our previous coverage, the plan calls for the trip between Dallas and Houston to take about 90-minutes. **The project’s cost is estimated to be around \$10-\$12 Billion.** The private investors behind Texas Central Partners (TCP) are planning to tap other investors from Japan, where the Japanese bullet train is a model and their operators are providing technical expertise. TCP also indicated it will be pitching pension funds and other institutional investors to come up with the big bucks. **As to the cost of a ticket to ride the bullet train, the top price during peak times is estimated to be the same as a plane ticket.**

**Move over, San Antonio. Make way for Austin. For decades, San Antonio has been Texas' gold standard for tourism business. It capitalized on assets like the Alamo, historical missions, and a popular Riverwalk that winds through downtown lined with luxury hotels, bars and restaurants. In addition, a huge convention center was built and expanded, Pro sports teams were enticed, and Fiesta festivals are frequent. And all this paid off. Until now. For the first time, the Austin area has just surpassed The Alamo City in total hotel revenue.**

This is a huge milestone in the highly-lucrative tourism industry. Visitors come to a place, drop a lotta money, then they go home. You don't have to educate their kids or provide other services for them. **Cities all over the world scramble for clean tourist dollars. Austin has now moved into the tourism Big Leagues**, by surpassing San Antonio by this one metric.

In addition to the “**total hotel revenue**” metric, Source Strategies reported Austin bested San Antonio in “**revenue per available room.**” While the hotel revenue numbers for the two cities may go up-and-down in the short-term, the long term **prognosis for Austin to stay at the top of the tourism heap is bullish.**

Why is the prognosis so positive? **Well, because several thousand new hotel rooms are announced or already under construction.** But, does Austin need more hotel rooms? The current occupancy of almost 75% seems to indicate it does. San Antonio's occupancy is about 65%. Furthermore, **Austin is contemplating expanding its Convention Center**, making it possible to host even more, and larger, meetings and conventions.

The heightened economic impact is not just about putting butts in hotel beds. Sure hotels will be making big bucks (and paying taxes). **But visitors move all around the city, spending dollars that support jobs not related to hotels.** And those Austin job-holders in turn pay taxes and spend money on homes, apartments, groceries, gasoline, clothes – you name it. Yep, tourism is very good for any city's economy.

**Dr. Louis Overholster** says he started his career with nothing – and still has most of it!

Sincerely,



Editor/Publisher