



Volume 37, Number 31

October 23, 2015

Dear Client:

Mind-boggling -- an apt description of the number of projects in lower downtown Austin that are under construction or being planned. Even with the completion of a plethora of high-rise condos and apartments, as well as a 34 story JWMarriott hotel, there are still an amazing number of construction projects continuing to emerge. Are you ready? Hold onto your seat. The City of Austin reports 53 – spell it out, fifty-three – projects.

The City of Austin's Economic Development Department looked at the construction **permits filed** with the City, plus the **under-construction** projects it is monitoring, to arrive at the total. There are way too many to list here.

But the City's Economic Development Department printed a summary of each project, along with a map, to illustrate the scope of the effort as of August 2015. While extensive, it still doesn't include projects like the expansion of the convention center which is under-consideration, but not-yet-approved.

What's impressive, in addition to the total number, is that the summary includes major, very diverse, projects *already being built*. We're talking about a **1,000+-room Fairmont Hotel ... a 29-story office tower** at 500 West 2nd ... the architecturally-stunning **Central Library ... a UTSystem Administration 11-story building on top of 8 levels of parking** (for 760 cars).

And then there is a rare tunneling project, the **Waller Creek Flood Diversion Tunnel**. It will make an estimated 1,234,000 sq.ft. of **land available for even more development** in a unique water setting.

The above construction projects are very visible. However, other construction activity in the beginning stages might not be as obvious, such as the two-hotel project at one downtown location. **The 7th and Congress project will include a 278-room Aloft hotel and a 144-room Element hotel** – across 7th Street from the three-quarter-century-old Stephen F. Austin hotel. The two hotels will share a 5,400 sf. restaurant and bar with outdoor seating on Congress Ave.

There are very few cities in the US with this much downtown construction activity underway or planned within a relatively small area – from the State Capitol building south to Lady Bird Lake. **These huge investments are bottom-line examples of Austin's dynamism.**

One company's significant investment in downtown Austin is not only a symbol of the area's attraction, but the company could also be a flag-bearer as Austin strives to become a major hub for healthcare technology and innovation. Athenahealth invested \$13 million to convert a portion of the 1930 art deco former Seaholm Power Plant into office space for its healthcare operations. And it is just one of several healthcare IT operations at the forefront of an effort to make Austin the next health IT hub.

A freelance writer for various health IT vendors recently interviewed a few Austin players in the health IT space for a national publication. The quotes obtained by **Michelle Ronan Noteboom** were enlightening. Some examples:

An Athenahealth exec overseeing an accelerator program for early stage companies: **"We believe Austin is at an inflection point.** The Dell Medical School is a huge addition to healthcare innovation, there are great schools in the area, the cost of living is lower, **there is a lot of untapped talent, and the energy there is infectious.**"

A CEO and co-founder of Austin start-up PatientIO: **"Austin has been a great place to build a business,** particularly from a recruiting standpoint and all our employees have been sourced from our network here in Austin."

An investor and mentor with the non-profit AustinHealthTech.org "believes the city's health technology ecosystem is 'still in the early innings,' yet has **'the ability to play a bigger role nationally and internationally in support of health technology startups'.**"

The CEO of eClinicalWorks, that recently added an Austin office to the company's existing offices on both coasts and in Chicago, says: **"Austin has a strong technology culture that lends itself well as a new location for our company** and will provide the opportunity for us to become more involved with healthcare providers in this region."

Finally, the CEO of PatientIO summed it up this way: "It is super exciting to be an entrepreneur in this space. **People want to live here and it is creating an ecosystem of people that will ultimately want to create new start-ups like ours.**"

Austin was picked by *Money* magazine as the best city for 20-to-34 year olds, even though young people may dream of working in New York or Los Angeles. Because the costs of living in those two cities is beyond what most Americans can afford – and their projected job growth is below average for big US cities – *Money* said **Austin was #1** for this age group based on a long list of stats, followed by **#2 Atlanta, #3 Columbus, #4 Tucson and #5 Seattle.**

A debate is roiling in Austin’s City Council over expansion of one of the most important contributors to Austin’s economy. It goes by a number of names: tourism, business travel, the hospitality business, conventions, visitors, leisure travel. But no matter what you call it, the economic impact of this clean industry is significant and it helps diversify Austin’s dependence on other sectors such as tech, government, services and education.

One of the strong underpinnings of Austin’s economic success is that it is no longer a one-horse town – its fortunes dependent upon one industry. Austin is not a steel mill town, nor a coal-mining town, that dries up when that industry suffers. **Just in the last half-century, the Austin area has expanded from an economy driven primarily by government payrolls to a greatly diversified economic base.** And the results have been stunning.

Step to the side just a moment and consider the core virtue of the much-sought-after visitor business: **visitors come to an area, spend boat-loads of money that support thousands of local jobs, then go home.** You don’t have to educate their kids, or provide other services the visitors receive in their hometowns.

But now, Austin’s City Council – with only one member having served prior to this year – is **questioning the value of growing a vibrant visitor business.** The issue before the Council is whether to **expand the Austin Convention Center that is seeing double-digit growth each year.** The cost is between \$400 million and \$600 million which would largely be paid by *visitors* through the taxes they pay on each hotel room they rent.

So, what’s the beef? **“I have a concern about this tourism and hospitality industry,”** Councilmember **Ora Houston** told the media. “It feels like a giant that just keeps growing and growing and has to be fed, so there’s some unintended consequences. **I need more time to understand if we have to continue to feed this giant.”**

No question, it’s a big project. As currently planned, **the addition would be built on about four city blocks, west of the Convention Center toward Congress Avenue.** It would be connected with overhead walkways across Trinity Street that would remain open. And, construction would not likely begin before year-end, 2018. But its fate is being determined in the next few weeks.

A sometime Austinite is being considered for the presidency of the 17-campus University of North Carolina System. Margaret Spellings was US Secretary of Education from 2005-2009.

She initiated the Commission on the Future of Higher Education. **Spellings is currently head of the George W. Bush Presidential Center in Dallas.** According to North Carolina news media reports, she met last week with the state’s governor. A decision could come this week.

Don't be put off by the newspaper headline that read "Austin Jobless Rate Ticks Higher in September." Sure it was accurate. But it didn't indicate the true picture of what is happening in Austin's enviable job market. The jobless rate ticked up a *miniscule* amount from August to September. But it was *significantly better* than a year ago. And the bigger picture is even better than that.

Unemployment rates move around month to month, primarily due to seasonal hiring. So the important number is to compare the *same* month, year-over-year. Yeah, Austin's great 3.1% metro unemployment in August eased up to **3.2% in September 2015**. (See what we mean by "miniscule.") But look at September a year ago. **In 2014, the unemployment rate was a full percentage point higher – still good, but at 4.2%.**

For a true perspective, let's examine why most economists single out Austin as one of the most dynamic metros in the nation. **They all cite Austin's job-creating machine, as an important part of what moves Austin to the top of most national rankings.** Any unemployment picture in the 3% range is considered "full employment" – meaning if you want a job, you can probably find one. **Austin's unemployment rate has been in the 3% range for almost a year now.**

Remember the dot-com bust more than a decade ago? Well, it's been that long since the **Austin area's unemployment percentages have tracked this low, for so long.** It's impressive. And don't get the idea the "bust history" might repeat itself any time soon. **The Austin area is in the midst of a much more dynamic economy now – fueled by demand, not speculation.**

One final point: with so many people moving to Austin, shouldn't that push the unemployment ranks higher? Normally, yes. But these aren't normal times. **About 29,000 new jobs were created in Austin since September 2014, to help handle the influx of new residents.**

Speaking of looking for work, **Dr. Louis Overholster** observed there is nothing like a tattoo on your neck to let everyone know how uninterested you are at being employed!

Sincerely,



Editor/Publisher