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Dear Client:

“Austin traffic sucks. Sorry to be so crass about it, but getting around this damn town is starting to bring out the worst in us.” This comment comes from a coalition called “Get Austin Moving,” as part of its effort to mobilize support for a whopping bond election likely to occur in November. And its effort is likely to include a tax increase. This isn’t all. There’s an additional move wrapped around major IH35 changes involving Williamson, Travis and Hays County. Let’s try to sort all this out for you.

First of all, nothing is set yet. But to keep you ahead of the curve, you need to be aware that all the moves are being made to make this happen. Take the “Get Austin Moving” (GAM) coalition that got a little crass in its comments (though not nearly as blatant as comments often muttered by those behind the wheel on Austin roadways).

GAM is given to making strong statements, such as: “Austin’s transportation problems aren’t just ruining our day – **they’re almost certainly the biggest threat to our entire community’s future quality of life.**” And it spouts stats to reinforce its claims. Significantly, you need to recognize this politically-oriented outfit is composed of a number of organizations, many of them influential in their own circles. Such as:

Alliance for Public Transportation ... Austin Metro Trails & Greenways ... ATX Safer Streets ... AURA ... **Austin Area Rapid Transit** ... Austin Environmental Democrats ... AustinUP ... **Bike Austin** ... Bike Texas ... Clean Water Action ... Evolve Austin ... **Hill Country Conservancy** ... Metro Trails and Greenways ... **Reconnect Austin** ... Shoal Creek Conservancy ... Waller Creek Conservancy – you get the idea. Unity Pac, **Ted Siff** treasurer, is the political arm of the coalition.

Mayor **Steve Adler** says “**our traffic congestion has never been worse, our streets have never been more dangerous** and our city has never been more expensive.” He is leading a City Council effort to come up with a **November 8th mobility bond package – the size and scope not yet known.** It’s on a fast track. The timing to get on that General Election ballot – when there will be a huge turnout, due to the presidential election – is by August 10th.

Check out the next item for a separate IH35 expansion move led by State Sen. **Kirk Watson.**

Austin's State Senator Kirk Watson (remember, he's a former mayor of Austin) is proposing Austin partner with TxDOT to finance construction expansion of IH35 through Williamson, Travis and Hays counties, without a bond election. Really? Sure, he's an influential senator who oversees TxDOT's activities, but how does he propose to pay for that immense project?

“Immense” is not an exaggeration. We're talking billions of dollars. That's right, billions to **expand the capacity of IH35 for miles and miles, especially as it flows through downtown Austin, to handle current and future traffic in one of the fastest growing regions in the US.** Also, don't forget, IH35 is the primary US roadway to-and-from Mexico running from Canada to Mexico. It will probably continue to be a major gateway linking three nations.

Oh yeah, the funding. **Watson calls it the “kitchen sink” approach. Throw everything into the financing.** He suggests the expansion include additional **toll lanes to generate revenue.** Not enough, though.

And he suggests city money could be used as part of a credit swap with TxDOT. Austin can borrow money cheaper than the state. So he envisions the city using its high credit rating to borrow money and then TxDOT pay back the city for the construction/expansion.

As for Austin's portion of the IH35 project, Watson envisions that **IH35 would be placed below grade between MLK Jr Blvd and Lady Bird Lake.** The lowered roadway would be covered with parks and the “barrier” that IH35 presents separating East Austin from downtown would be modified.

Those who are pushing for a November bond election are falling into lock-step behind Watson's no-election plan. Frankly, they are breathing a sigh of relief the November ballot won't include big bucks for the Watson plan. Because it would compete with the dollars they want. Bike Austin, for example, praises the IH35 approach. And Adler says he will recommend the City Council support the Watson financing plan.

All this is coming together quite quickly. In fact, **the Council kicked off the first of several sessions on bond ideas this week,** with others scheduled June 14th (Mobility Committee meeting) and full Council meetings thereafter in the month of June. These are important meetings. We'll help keep you informed.

Another wrinkle that, if successful, will spark even more interest in a November mobility bond election. A new effort surfaced late this week to push for a downtown light rail project.

This proposal calls for a light rail line to run from **Guadalupe/4th Streets to Rundberg/North Lamar.** The \$400 million 5.3-mile route is different from the plan defeated by voters in 2014.

If you're wondering about the immediate future of Austin's retail sector, you need look no further than advice given to potential investors. Check out real estate firm Ten-X's view.

Ten-X sees "retail rents rising at a rate of 4.3% annually over the next three years and vacancies declining over the same period, **making the city extremely enticing for retail investors.**"

A change may be underway in the hot Austin apartment market. One real estate CEO sees a slackening demand for the high-end Class A apartment units, and an increased demand for the lesser-priced Class B units. What Mike Lynd says is not alarming, but it's interesting.

Lynd told *Bisnow* he is concerned we might be at the end of the cycle for rent growth for upper end product. **He says he is seeing a dramatic slowing of rent growth in Class A properties.** In fact, he says some Class A apartment buildings are offering two free months – a 16% discount on rent – to pull renters up from Class B properties. But he says that's not working right now. Because that 16% is not enough of a spread.

So what is Lynd doing? He told *Bisnow* he is focusing on acquiring well-located Class B projects – maybe from the 1990s – in Class A locations. He says **"workforce" housing is experiencing really good rent growth** – the demand for it seems never-ending. But he says, with high construction costs, there is no way to build new properties for the lower-income. So Lynd is buying older properties.

This doesn't mean Lynd is "down" on Austin. He said Austin has always performed despite concerns about supply. **He admitted there have been short periods where rent growth was flat, but that it rarely deteriorated** – with the exception of the tech bubble in the 90s, when jobs – unlike today -- were artificial. The macro picture in Austin he says continues as one of the best in the country.

A slightly different version of the Texas apartment market was voiced by the JLL managing director of multifamily. Scott LaMontagne echoed what others have also voiced – the difficulty of getting construction loans for big apartment projects. He told *Bisnow* this tight Texas lending market is because of the oil/gas sector. Huh?

He says a number of regional and national banks in Texas have "exposure" because they made dicey oil and gas loans in recent years. **So they have large reserves set aside in case those "loans" become "losses."** Those reserves are not available for other somewhat risky loans.

But LaMontagne is still bullish on Austin's apartment market, saying **if there is a problem, it will be slight and short-lived.**

Despite negative local comments about Uber and Lyft, we told you it was a “sure bet” the ride-sharing companies “will come roaring back into the Austin area.” That was *last week*. *This week* you may want to double-down on that bet. Why? Well, Uber this week announced it received billions of dollars in new money.

Not that big bucks are the be-all-end-all when it comes to decision-making. After all, voters in Austin strongly reacted to Uber and Lyft trying to **money-whip Austinites in an election just a few weeks ago**. Spending record amounts of money, the companies tried to get their way in regulations. And Uber/Lyft took a good ole fashioned country whipping at the polls.

These ride-sharing companies are the wave of the future and they are a world-wide power, gaining more muscle every day. Check out our most recent story by clicking the “Archives” button at the top to access our 5.27.16 issue where we pointed out they partnered with major automakers (Uber with Toyota; Lyft with General Motors). **Now that’s power.**

Also, **Uber this week announced it raised \$3.5 billion from the investment arm of Saudi Arabia.** Wanna know how big this is? **It is the largest-ever US funding round for a venture-backed company.** This infusion of funds pushed the value of the ride-hailing company to – hang on! – more than \$66 billion. **Now that’s strong.**

Can you imagine these futuristic tech firms sitting back and kissing the Austin market goodbye forever -- as well as Houston and other cities where Uber and Lyft have also run into regulatory speed bumps? Especially when they have possible fall-back remedies when the Texas Legislature convenes in Austin in January. Neither can I. (By the way, some former Austin Uber drivers were notified this week they can haul passengers this weekend to the X-Games at the Circuit of the Americas track, because it is outside Austin’s city limits. Do they know the city annexed the track in 2012? Hmmmmmm.)

Dr. Louis Overholster: “I always wanted to be somebody, I just should’ve been more specific!”

Sincerely,



Editor/Publisher