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Dear Client:

**For years, movers and shakers in the Austin real estate community pressed and pushed for an updated land development code. The city was cursed by businesses and citizens alike, because it took too long and was too costly to get necessary approvals through the city code process. So, in June 2012, the Austin City Council finally unanimously acted to embark on a major code re-write. Today, it's two years behind schedule and hundreds of thousands of dollars over budget. Is the effort in danger of collapsing under its own weight?**

Some fear a collapse is a real possibility. After all, **a draft of the re-write has yet to be made public.** Who knows what it will contain and what the approval process might involve once the draft is released? **The pressure has been ratcheted up on the city staff** to, finally, make public a draft of the proposed code in January. And two top staffers resigned in recent weeks. (The process, by the way, has been dubbed by the city as CodeNEXT. Catchy, huh?)

**Admittedly this is arcane stuff for those not making a living dealing with the city.** So we won't take the time to go into the details today. But as Austin's growth has put pressure on almost all aspects of city government, **the development code has become vastly more important** – impacting all facets of daily life including housing affordability and traffic congestion.

For instance, CodeNEXT is charged with **addressing outdated, suburban regulations.** It should comprehensively evaluate the entire land development code. **And, of course, it must – must! -- examine the archaic review process.** As the critics have said over and over, approvals take too long and are much too costly – raising the price tag of practically all items related to real estate.

While real estate is the obvious focus of CodeNEXT, the development code is much more far-reaching than just that. **It impacts the ultimate placement of stores, schools, public facilities such as fire stations, etc.** In other words, it guides the way Austinites live and do business.

For four years this re-write effort has been going on. And, there's six more months before the January deadline (with additional time needed for approval before final adoption). Meanwhile, **the city has been changing right before your eyes,** and further governmental change may be on tap. **Remember, about half the City Council seats are up for election in November.**

**Check your calendar. It's mid-July. This was the time when Austin's longtime City Manager Marc Ott was to learn whether he had been hired as the Executive Director of the International City/County Management Association (ICMA). Ott notified his bosses – the Mayor/City Council – June 20, 2016 he was a finalist for the position.**

As of this writing, there has been no public announcement about Ott's future. He said this was not his first rodeo at being wooed from Austin. **"Being approached by search firms is not an infrequent occurrence,"** he told the mayor and council. "In fact, I have been recruited by cities, large and small, both nationally and internationally."

Well then, Mr. Manager, why this job? **"This job opportunity was compelling,** given ICMA's immense impact on the practice of municipal management, **which I have participated in and been a member of for over 30 years,"** he explained. Stay tuned.

**A new top level city employee, hired by City Manager Marc Ott, is expected to take over one of the most important city departments next month. Jackie Sargent has been appointed General Manager of Austin Energy (AE). The appointment was criticized in some quarters when it was announced following a nationwide search.**

The reasons given for concerns about Sargent is **her two previous management positions in South Dakota and Ft. Collins, Colorado were at operations much smaller than Austin Energy.** The previous AE GM was Larry Weis, who made scathing comments about city management and operations as he left to become General Manager at Seattle Light.

Sargent is an alum of AE, having overseen **Power Supply and Market Operations for Austin Energy from 2010-2012.** She has a BS/Electrical Engineering and a MS/Technology Management, both from the South Dakota School of Mines and Technology. She will begin as GM of Austin Energy August 15, 2016.

**Austin Energy (AE) has faced its share of criticism recently, primarily over rate increases and huge budget allocations to alternative sources, such as wind and solar, to provide electricity to AE'S customers. Now, after GM Larry Weis' departure and before Jackie Sargent assumes the General Manager's post, the Austin City Council has put on hold a massive new natural gas plant that would generate electricity. Natural gas prices have been low for several years.**

The delay elicited this Facebook response from Austin Electric Utility Commission Chair **Karen Hadden: "Yay!!! Time to celebrate! Solar, wind and energy efficiency are a much better approach!"** Just last November, a consultant hired by the City recommended a new gas plant to replace the old Decker plant. This recommendation has been discarded for now.

**A San Francisco city proposal to slap a payroll tax on its tech companies grabbed the attention of some Austin tech companies. Now the proposed tax has been criticized nationally. And, Austin was singled out as a possible beneficiary if the SF tech payroll tax passes. (Unless, of course, Austin city leaders decide to follow San Francisco's lead.)**

Check our story of 7.1.16 by clicking on the "Archives" button at the top of this newsletter for the details of what San Francisco is planning. In summary, **the SF proposal would levy a 1.5% payroll tax on any tech company with gross receipts of \$1 million annually.** This would be *on top of the 13.3% tax* (highest in the nation) on local companies' earned income.

The reason given for this proposal is to address a problem familiar to Austin: **to offset high housing costs and help end homelessness.** It is estimated to raise \$120 million in additional revenue each year based on the number of tech workers in the city, to be spent by the SF Board of Supervisors (its version of Austin's City Council).

**"The ever-increasing burden placed on tech entrepreneurs could push them to places with equally-supportive tech communities, yet zero income tax places like Seattle and Austin,"** wrote *FORBES* columnist **Travis H. Brown.** "While the cause of the payroll tax is noble – by one count, there were more than 6,600 people living on the streets and in shelters in San Francisco in 2015 – the approach is woefully short-sighted."

Brown's *FORBES* commentary mentions the payroll tax proposal doesn't think **far enough into the future to address systemic problems,** such as how the city and region plan to tackle the homelessness and housing problems over time.

**"San Francisco is an amazing city run by incompetent people,** who not only can't solve basic problems like crime, homelessness, housing and transportation – **they are making these problems worse,"** a San Francisco investor was quoted in a business publication.

Saying the proposed tech payroll tax would be "devastating" to the city, Brown went on to write: **"You don't solve a community's deep-seated problems by harming an entire economy.** Ideally the tech tax will not even make it on the ballot, and its proponents will think of more progressive ways to raise the revenues needed. **To lose major parts of the tech sector would be a serious blow to the Bay Area's economy and reputation."**

The genesis of SF's plan goes back to **"blaming" big tech salaries for increasing the cost of living,** claiming the tech-sters can pay high rents and buy bigger homes. This, they claim, forces prices up, making it difficult for residents and families to remain in their residences, or it triggers a move to an area where prices are more affordable. SF's Board of Supervisors is planning an August vote on the tech payroll tax. **If the supervisors vote "yes," it will be on a November ballot when SF city residents – all of them, not just tech-sters – will vote.**

**We've all experienced the effects of Austin's phenomenal growth and the oft times contentious solutions for just getting from point A to point B. Well, if misery loves company, just look to your Texas neighbors, Dallas and Houston. The population of those bigger-than-Austin metros is expected to roughly double by 2035. So, we are not alone in this transportation universe. A proposed Dallas-to-Houston high speed rail is turning out to be a case study.**

When the populations of Dallas and Houston roughly double, auto traffic will increase by 100%. **TxDOT predicts the travel time between the two cities will go from 4 hours to 6 hours.** You would think a privately-funded high speed rail proposal cutting travel time down to *less than 90 minutes* would be greeted with enthusiasm. Wrong.

In fact, a group called Texans Against High Speed Rail has been busy opposing the bullet train. They report, **of the 11 counties involved, nine of them oppose the railway.** One objection: the train is planning only 3 stops – Dallas, Houston and somewhere near Huntsville/College Station. So opponents say *not* stopping in all the towns along the way means **residents will have to put up with the noise, environmental problems, pollution and eyesores for nothing.**

Proponents counter that the noise emitted by the bullet train is only **3-to-6 seconds of quick, whooshing sound followed by silence.** The train will run on electricity and **help the environment by keeping cars off the road.** Much of the track will be elevated, minimizing the impact on wildlife and natural environments.

The most substantive debate revolves around the 3,000 acres needed to build the track. Property rights are big in Texas. **If the train uses eminent domain to "take" the land, backers say acquisition payments will be "very generous."**

Look at Houston-Dallas on this one issue, and you realize **Austin concerns** about local rail, roadways, bike-ped expenditures, etc. are **replicated across Texas.** It's widespread.

**Dr. Louis Overholster** was addicted to the Hokey Pokey, but turned himself around! (Groan!)

Sincerely,



Editor/Publisher