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Dear Client:

Figures reported this week show Austin's 2015 median household income was higher than all other Texas metros – except energy-rich Midland in West Texas. In fact, the incomes in Dallas, Houston and Fort Worth were 8-to-10% lower, and were 22% lower in San Antonio. Quite a change from not-too-long ago when Austin relied mostly on government paychecks. But what about the poverty rate?

According to the Austin Chamber's Director of Research **Chris Ramser, the Austin metro's median household income was \$67,195 while the state's and US's comparable totals were in the \$55,000+ range.** (Before your Austin pride gets the best of you, Midland's median household income was a whopping \$80,761.)

While these figures were just reported, remember they are for the year 2015. And what a year it was! **Austin's median household income in 2015 gained an inflation-adjusted 5.5% from 2014.** How good was that increase? "The gain was noticeably higher than the 2.1% to 2.2% growth that Austin saw each year from 2012 to 2014," Ramser noted.

What about the have-nots in the Austin metro? Those who fell into the poverty category. What happened to them while the 2015 incomes were setting impressive standards?

Ramser's number-crunching indicated an improving situation. **"The Austin metro poverty rate improved to 11.7% in 2015, down from 15.1% in 2014,"** he reported. Digging deeper, he found that 4 out of the 5 counties within the metro (Travis, Williamson, Hays and Bastrop) each showed positive declines "while **Caldwell's slight increase was within the margin of error.**"

Citing the American Community Survey, Ramser further pointed out **"Williamson County had the lowest poverty rate in the region at 6.6%."** Caldwell County had the highest at 17.8%. Bastrop's poverty rate was 12.7%, while Travis and Hays were 13.2% and 13.6%, respectively.

Okay, let's take one final look – from 30,000 feet up, looking down on the five counties. It should come as no surprise that Ramser reports **"the higher poverty rates in the region generally are along and to the east of IH35."**

The amount of venture capital (VC) invested in Austin companies is important for at least two obvious reasons: 1) VC money fuels Austin business growth and expansion, and 2) it is a tangible barometer of the confidence smart money managers have in the future of the Austin economy. So, how did Austin fare by this measure in 2016?

It was a bit of a mixed bag – not bad, but not great. Going back to another source at the Austin Chamber, VP/Research **Beverly Kerr reports the number of deals was lower than the previous year, but the average investment per deal is up.**

She points out that 2016 number of deals in the Austin area was 112, and this was **7% lower than the previous year. However, by comparison, activity fell by 16% nationally.** What else? The average investment *per deal* was \$7.45 million in Austin in 2016 and that was up from \$7.10 million in 2015.

The total VC money committed to Austin companies in 2016 was \$834 million. Which Austin companies got this money? **Not surprisingly, 64% of the VC investing in Austin was in Internet companies,** compared to 38% nationally.

Unfolding battles in the Texas Legislature could impact the future of transportation and property values for generations. As legislators are scheduled to leave Austin May 29, 2017, you'll know soon enough the direction things are heading. But for now, let's examine a proposal being bounced around the State Capitol for a Texas bullet train.

We've written for more than a year now about a **proposal for a privately-financed bullet train to run 240 miles between Dallas and Houston.** If successful, operators say the Austin area might be next on their radar. But for now, the main impact to Austin, and the entire state of Texas, will come from actions being considered by the current legislative session.

The legislative battle lines aren't focused on just one bill. At least ten lawmakers have filed more than 20 bills so far. As a result, the bullet train proposal may have far reaching impact.

So if the \$12 billion project is to be privately financed, **why is the Legislature getting involved? Two words: eminent domain,** the power to “take” private property for public use. **The investor-owned entity, Texas Central, wants to be officially declared a railroad even though it doesn't yet operate or own any trains.** This declaration would give Texas Central the power to “condemn” private property and “take” it (with compensation) to build the rail line.

It's an issue that runs to the heart of Texas private property rights, pitting in this case **rural versus urban interests. But it has more far-reaching implications than just this.** We'll examine them in the next item.

Despite its vast land size, Texas has been careening for years toward urbanization. In fact, just two Texas metros – Dallas-Fort Worth and Houston – account for almost half of Texas' nearly 28 million people. And today, the metros are at the crux of another historic push-pull of rural-versus-urban interests. It also involves property rights (that some consider almost a sacred birthright of Texans).

World travelers are well aware that bullet trains are highly-valued means of transportation. **But, there are no bullet trains in the United States. None. Not even in this hemisphere.** Now a group of Texans has banded together to change that with a \$12 billion plan to build a high-speed train between Dallas-Fort Worth and Houston along a 240-mile route of mostly rural land in East Texas. The company is Texas Central.

There are a lot of questions involving this humongous *privately-funded* project, that is the first of its kind. **Funding, and who is on the hook if it fails, is hotly-debated** (and will be one focus of discussion during the current Texas Legislature session). But the aspect stirring the most passion right now involves property rights, especially those of rural landowners whose families have owned their land for generations.

(Decades ago, a bullet train was proposed to link Austin, San Antonio, Dallas and Houston. The publicly-financed proposal was aggressive. But it had a different form of opposition. **Southwest Airlines, a regional air carrier yet to expand its service area much beyond Texas and its bordering states, fought the idea tooth-and-nail.** It feared the competition for short-haul travelers. Southwest won the lobbying battle. The concept failed before it fully developed. Now Southwest has greatly expanded to national and international markets.)

The rural landowners have figured the way to slow, or stop, this bullet train is to **keep them from using eminent domain to acquire the needed right of way.** (You can see stubborn old ranchers digging in their heels and refusing to let them slice up their pasture land.) The legislature will decide the issue.

But the rural folks have another line of defense – raising the specter that it will fail financially. What then? Will there be enough passenger revenue to keep the trains running while providing a return to investors? Many critics, not just rural property owners, claim it's not gonna get enough Texans out of their cars to ride the train to generate sufficient operating revenue. **And one bill pending before the Legislature would prohibit the state from spending money operating a failing rail line.**

As you watch this transportation game-changer unfold, remember **Texas Central is not financed by the state.** If it fails, **investors would lose their money.** It would likely go into bankruptcy. And if Texas Central had borrowed money to stay alive, **lenders would take a loss.** But if it succeeds? Well, hang on. Your transportation horizon expands exponentially.

To most who drive downtown, it's obvious the City of Austin has long been making a concerted effort to change the way you move around downtown. Parking spaces have been eliminated or changed into "outdoor dining" venues, lanes for cars have been removed to make way for bicycle lanes, sidewalks have been enlarged, on and on. But did you know the city has a fulltime Manager whose job includes alternatives to downtown driving.

The City calls it Transportation Demand Management or TDM. And it is ramping up its efforts, under **Tien-Tien Chan**, the TDM Program Manager. How does the City define TDM?

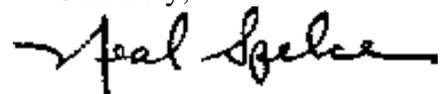
"It is essentially a way of helping more people use existing infrastructure for options like **transit, walking, ridesharing, bicycling or teleworking, instead of building new roads,**" according to the City.

"There has been a traditional emphasis on infrastructure solutions, but that has been shifting over the years," said Chan. "**We are understanding that we cannot build our way out of congestion anymore.** A big challenge we have here in Austin is that the City has been predominately a car-centric culture." The trend she's most excited about for Austin: a rebound in carpooling and vanpooling.

Chan practices what she preaches. **She has lived car-free in Austin for a while.** How does she get around? "I have a membership to Austin B-Cycle, Zipcar, and Car2Go. I have RideAustin, Fare and Fasten all downloaded on my phone. **At any time – I have multiple options to get to my destination.** Instacart (a grocery delivery service) has also been a lifesaver," she explains.

Speaking of trying to drive around Austin, you've noticed those changeable reader boards on major roadways that flash messages to drivers (the city calls them "Dynamic Message Signs"). The City is conducting a contest to come up with clever, non-boring ways to convey its messages. The Austin Transportation Department reports it has received dozens of submissions. **Dr. Louis Overholster** isn't waiting for the official results to be announced. The pun-lover has already picked a winner: **TEXTING AND DRIVING – NOT WRECKKOMMENDED.** (Groan!)

Sincerely,



Editor/Publisher