



Volume 38, Number 51

March 31, 2017

Dear Client:

You may not know the precise numbers, but you certainly know the *impact* of the Austin metro area's population surge. For the numbers right now this year, you're looking at 2.1 million people in our 5-county metro area. And this fastest-growing large metro area in the US is on track to reach and surpass the 3.0 million mark by 2030. But how does this break down by individual counties in the metro?

Metropolitan area analysis is really important because the Austin area is so interconnected. **Many residents live in one section of the metro, work in another part of the area and shop or "play" in still another.** So a metro-wide examination is always essential to understand the dynamics of what is going on around you.

And while the Austin metro has yet to crack the Top 30 in population, it is **THE fastest-growing large metro, by far, (almost 3% between 2014-2015) in the US.** Second-place Orlando is just above the 2.5% growth rate and all but seven of the Top 30 have growth rates less than 2.0%.

But what is happening in the individual *counties* in the metro is intriguing. First of all, when you consider people living within city limits only, as of January 1, 2017, **Austin's city limits population of 945,000 places it as the 11th largest US city ahead of such "big" cities as San Francisco, Fort Worth, Detroit, Seattle, Denver, Boston, Baltimore and Portland.** Think about this as you ponder Austin's city government.

But, look at what's happening to the five individual counties in the metro? **Travis County is quickly diminishing in its population influence.** For example, in 2010-2011, 58.8% of metro's residence were in Travis County. In 2014-2015, it dropped dramatically to 44.5%. Using the same parameters, **Williamson County increased** from 29.7% to 33.3% ... **Hays County came close to doubling**, going from 9.3% to 16.8% ... **Bastrop County almost tripled**, from 1.5% to 4.1% and **Caldwell County increased** from 0.7% to 1.3%.

This sea change shift of your neighbors' influence has implications for future regional decision-making. It remains to be seen how those muscles are flexed. By the way, these stats are courtesy of the City of Austin Demographer, **Ryan Robinson.**

Disagreements between the left-leaning governing bodies of Travis County and the City of Austin and right-leaning state/federal entities over immigration policies are well-publicized. These push-pull actions are likely to continue, especially while the Texas Legislature is in town through May 2017. But there are other issues that will likely surface in the near term: Be prepared for more locally-originated environmental actions.

Why is this likely to happen? Look what happened this week in Washington DC. With the stroke of a pen by President **Donald Trump**, a number of environmental regulations (instituted with the stroke of a pen earlier by President **Barack Obama**) were removed. This set off a loud cry of criticism from environmental groups. But the fact of the matter is many Environmental Protection Agency regulations are no longer in effect.

So, look for local environmental activists to seek additional regulations specifically for the Austin area. No agenda has yet been announced. But you can bet they will likely be forthcoming. The difference now is the Justice Department under GOP control can no longer be considered an ally for the environmentalists should disputes arise.

Also, local environmentalists cannot count on the GOP-controlled Texas Legislature to be complicit with their efforts. **So the locals will have to tiptoe around the fed and state bureaucracies.** These obstacles will be offset by a receptive Austin City Council and Travis County Commissioners Court.

Don't forget: the local push for alternative energy sources such as wind and solar will continue. Austin has also officially indicated its **willingness to pull out of the coal-fired Fayette Power Plant in La Grange that provides electricity for Austin.** This will likely continue to be pursued. But, remember, if Austin quits using this plant as a source of cheap electricity, the plant will continue to generate electricity powered by coal – just selling its power to others.

Speaking of Texas energy developments, cast your eyes toward Corpus Christi on the Gulf Coast. Houston and Beaumont/Pt. Arthur are the Texas seacoast cities most often discussed as vital to the future of Texas energy. Now, add the recently-expanded Port of Corpus Christi to that conversation. A huge, new pipeline is one of the reasons.

Three companies have raised \$1 billion to build a **730-mile pipeline from the heart of energy-rich West Texas to Corpus Christi.** Called EPIC – which stands for Eagle Ford, Permian, Ingleside and Corpus Christi – will transport more than 440,000 barrels per day.

This will add to the increasingly-important Port's activity, that exported almost \$1.5 billion in oil last year. (Don't forget it's also the **closest US port to the expanded Panama Canal.**) EPIC pipeline construction is set to begin in June, with completion targeted by March 2019.

For the fifth year in a row, Texas is the state with the most major corporate location and expansion projects, winning *Site Selection Magazine's* Governor's Cup competition. Ohio came in 2nd, followed by Illinois, North Carolina and Georgia.

“What’s really impressive is that the win comes as the energy sector has been struggling,” observed Texas-based economist **Ray Perryman**. While he wasn’t precisely referring to the planned EPIC pipeline in the previous story, he did point out **“the leading export industry bottoming out** speaks to the resilience of the state economy.” The proposed pipeline is indicative of what lies ahead in the energy sector in Texas.

It will be another 4 to 6 months before you know the name of Austin’s most important employee – the City Manager. And unlike the past, you will not know who is applying for the job, until the applicants have been screened down to the finalists.

The City of Austin has been known to carry openness and transparency to the nth degree. But in this case, the City Council is listening to the consultant it hired to help find a new city manager. **Steve Newton** of Russell Reynolds Associates made the argument that many **qualified candidates may not want their current employer to know they had an interest in being City Manager of Austin**. So applicant’s names will be kept confidential until the finalists have been selected.

We have long argued the Austin city manager’s job is broader and tougher than most cities. **Not many cities in the US operate all three enterprises – an airport, an electric utility and a water utility**. To manage the nation’s 11th largest city is tough enough, especially answering to the Austin City Council who has in the past exhibited a micro-management style. But to have the expertise to also manage an airport and two utilities compounds the task exponentially. Tough job. Important hire.

The new City Manager’s job will be a tad easier because, for all intents and purposes, Austin-Bergstrom International Airport (ABIA) appears to be humming along quite well, given passenger traffic might top a record-setting 13 million this year. ABIA for the most part has steered clear of controversy, unlike Austin Energy and Austin Water.

Even with all the money being invested by the City in ABIA’s expansion, **the enterprise is self-sustaining and if all goes as planned, the expansion should meet the current demands**. It’s interesting to note the airport serves a large geographic area – meeting the air travel needs of as many as ten counties (now you know why the parking expansion is such a big deal). **Expansion anticipation was part of the initial build-from-the-ground-up construction** at the old former Bergstrom Air Force Base site. So far, so good.

Are traditional high-dollar, large, law firm office spaces about to undergo a radical change? You know, the private offices for attorneys, standard conference rooms, etc.? There's a move underway to change, but it is a long way from implementation. However, some law firms are looking for *office buildings* normally thought to be reserved for the high tech crowd.

According to GlobeSt.com, more and more law firms are looking for buildings with **bike facilities, showers, fitness facilities, Wi-Fi lounges and the ability to provide really interesting food amenities** – just like techie firms. After all, law firms recruit bright young lawyers and want to retain them.

Now this trend doesn't mean law firms will be going to an open floor plan. Only about 5% of North American law firms are using an open floor plan, according to GlobeSt.com. But they may be **taking a page from the tech firms to address the needs/wants of young well-paid attorneys who have a life outside the practice of law.**

Is downtown Austin a “full-on hipster mecca?” That's what a downtown revitalization real estate analysis of 200 largest US cities called it. Realtor.com considered several factors when compiling its list, including residences, number of restaurants, bars, grocery stores and food trucks per capita.

“The story of downtown Austin isn't entirely about rising from the ashes, like the other cities here. Rather it is about a **small urban area known best for hole-in-the-wall bars and middle-of-the-night taco joints exploding into a full-on hipster mecca,**” noted the report. It further points out “dozens of software, game, mobile and chip design companies have already converged on downtown, and Google signed a lease on a 29-story office building that's still under construction.”

Speaking of lawyers, **Dr. Louis Overholster** was reminded of George Burns saying that after his third divorce he tried to claim his divorce attorney as a dependent!

Sincerely,



Editor/Publisher