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Dear Client:

You often hear some Austin old-timers lament the many changes they've seen. Even those who've lived in the Austin area for only 5-to-10 years sing much the same tune about changes they've witnessed. Of course, most US cities have experienced at least some degree of change, whether for better or worse. But where does Austin rank in a thorough study of the 50 largest US metros? Using nine elements of data – not just the number of construction cranes – *Austin has changed the most over the past decade. One element may surprise you.*

MagnifyMoney, a subsidiary of LendingTree, analyzed **home prices, crime rates, building permits, commute times** and other elements to identify areas of high metropolitan change, and gave each city a “Change Score” of zero to 100. **The highest change score was 90.4 (Austin)** and the lowest of the 50 metros was 61.1 (Birmingham, AL). Let's examine some highlights.

“Austin is a magnet for change, with the fastest job growth in the nation (+40% since 2006), 60% of residents moving since 2010 and a 54% rise in house prices since 2006, the most of the 50 metros ranked,” reported *MagnifyMoney*. None of these high percentages should come as a surprise to those who have been paying attention. So which cities follow Austin's top “Change Score” ranking?

“#2 Dallas-Fort Worth (89.7 score) is in the top ten for five of the change categories: employment, recent moves, building permits, house prices and crime rate.” D/FW's crime rate is down 43% from 2006.

#3 Houston (86.2) rounds out the trio of big Texas cities at the top of the change list, led by housing factors.” Houston ranked #2 for house price appreciation and #3 in the US for building permit expansion.

Even though this study was the most recent – released within the last ten days – it is a “change” study for a snapshot in time, 2006-2016. **The dynamics of these cities almost ensure they are changing as we speak.** Another point: “change” can be seen as good or bad, depending upon your perspective.

Now, for what may be considered a “surprise:” Austin did *not* rank in the top five in change in Commute Times. **San Francisco, +18% ... San Jose, +18% ... Los Angeles, +12% ... Boston, +12% and Portland, 12%** took the honors in this study. Wonder what it is today.

After we presented “a new, bold scenario” last week for an Austin partnership with Amazon for the Seattle-based Internet giant’s second headquarters (Amazon HQ2), Mayor Steve Adler this week doubled-down on his mostly-downplayed comment that triggered our analysis. The mayor released a letter he wrote to Amazon that puts more meat-on-the-bones on Austin’s approach. And, it reinforces our original assertion, without getting into specifics. Our scenario included two elements, a site and a partnership plan.

Our suggested *site* (currently for sale) may be the **most dramatic site offered by any city – the *Austin American-Statesman* property on Texas’ Main Street, Congress Avenue, and adjacent land in the heart of downtown Austin on the south banks of Lady Bird Lake.** The win-win *plan* includes mass rail transit that helps solve two of Austin’s biggest problems of transportation and affordability. (Click the 10.20.17 issue in our Archives for the details/logic triggered by the mayor’s comment “...if the scale of Amazon could help us *achieve answers to affordability or mobility that are not otherwise available or available as quickly.*”)

So how did the mayor’s letter to Amazon double-down? Here is some of what he wrote to Amazon: “In front of us is an incredible opportunity for a precedent-setting partnership. We can together build a new model for how cities and private enterprise can collaborate at significant scale. **What if your new headquarters was more than just a building or a campus, but rather an integral part of the economic, cultural, and social fabric and future of an entire city?**”

“Austin has an innovative and collaborative spirit that you’ll find nowhere else. **This provides Amazon with a rare, if not unique, opportunity to expand from community member to community catalyst.** Imagine the feeling of co-founding with your community something substantively new,” Adler continued.

“What new solutions and long-term investments in workforce development, **affordability and mass transportation might we achieve together** that would not have been possible otherwise?” the mayor asked Amazon.

Final quote from Adler’s lengthy 2-page letter: “Austin is a special city and Amazon is a special company. **Even as you assess our community’s great assets, I ask you to look at our community’s greatest challenges as an opportunity to help craft a story for Amazon and for Austin that will be told for a long time.**”

The quest for Amazon HQ2 is rare, not just because of its scale. The process is wide open, with more than 238 pitches from all across the US and Canada. **Normally, such items as site selection and collaborative incentives are negotiated privately,** and they involve quiet clearances with governmental requirements. **All this will come in due course, as Austin makes the short list.** As for many other cities, the odds are like buying a lottery ticket – “Hey, you never know!” Not Austin -- the odds for success are among the best in the US.

If Austin is successful in luring Amazon's HQ2, it likely will see a change in the Top Ten list of states that send its residents to Travis County. Obviously, the lure of a large number of jobs created by Amazon HQ2 would be a magnet appealing to many who live in states not currently showing up on the charts. Most especially, the state of Washington.

You've probably seen all the California license plates on our crowded roadways. But, interestingly, **California is only #3 on the list of Top Ten states accounting for Travis County's net domestic migration.** According to the Texas State Comptroller's Office, the #1 state is Florida, followed by #2 New York and #3 California in its most recent tally.

A couple of other states could be considered surprises. For instance, would you have put Alaska and Rhode Island as two of the Top Ten states sending people to Travis County? Here's the Comptroller's list of states with the largest net migration to Travis County, in order: **Florida, New York, California, New Jersey, Ohio, Alaska, Rhode Island, Illinois, Wisconsin and Pennsylvania.**

Now, about the state of Washington where Amazon has its headquarters (Amazon HQ1?). With tens of thousands employees in each location, there will most likely be a large movement of personnel between the two cities. And, some of those in Washington may want to escape the rainy northwest. **So, the state of Washington could be a large source of new residents in Travis County, if the ultimate decision to move to Austin is made.**

If Amazon HQ2 generates the number of jobs it is forecasting, the jobs will be more than welcome because the Austin area has one of the tightest job markets in the US. How tight? The last time Austin had a lower unemployment rate was December 2000, according to Beverly Kerr, the Austin Chamber's VP/Research.

That's a pretty strong statement – the best unemployment percentage in almost 17 years! So what is the current unemployment percentage? **“Austin's seasonally adjusted unemployment rate is 2.7%, reduced from 3.0% in August,”** Kerr reported.

The amazing thing about this is **Austin added 23,500 net new jobs, a growth of 2.3%, in the 12 months ending in September.** According to Kerr, this made **Austin the 10th fastest growing major metro in the US.** The jobs seemed to be scarfed up as quickly as they become available.

What are these new jobs? **Education and health services added the most jobs – 6,600, a 5.6% growth rate. The fastest growing category was Construction & Natural Resources.** Its rate of growth was 6.2%, adding 3,700 jobs over the past 12 months. Another notable number: manufacturing jobs grew 4.1% year-over-year. **This outpaced private industry growth for the sixth month in a row.** All in all, pretty impressive jobs stats.

Economic Indicator for the third quarter: Average home price for the 5-county Austin metro area and the US rose 5.0% and 4.5% respectively since August 2016.

Checklist: Election Day is November 7th. Early voting runs from now to November 3rd. Some items: a \$1.1 billion bond measure for the Austin School District. Also Leander, Bastrop, Lake Travis and Eanes school districts have propositions to consider. And, Travis County has a \$185 million bond package for parks, roads and drainage projects.

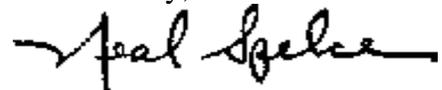
Lobbyists in Austin – and there are hundreds of them – were abuzz this week as a result of the out-of-the-blue announcement that Texas House Speaker Joe Straus will not run for re-election. No one, and I mean no one, was predicting this. Information, especially “inside” information, is a coin of the realm for lobbyists. So, they were caught flat-footed. And, lobbyists were not the only ones scrambling this week.

How about **UTAustin** and other state-supported institutions of higher education? Don't forget **every single state agency** that relies on state appropriations? Also any number of **local lawyers, local school districts and local governmental jurisdictions** that interact with the state. They all were caught up with “what-now-what-iffing” this week. **Politics is a gossip game and this game was being played out at the All-Pro level.**

The House Speakership is one of the top three most powerful state positions (some claim it is #2 or even #1, because of the power to originate tax matters). **Straus has been Speaker since 2009 and if he had been re-elected, it would have been for a record-breaking sixth term.** The very public battle between Straus and Gov. **Greg Abbott** and Lt.Gov. **Dan Patrick** adds another degree of uncertainty over the future. The gossip game will continue at a high level.

Dr. Louis Overholster says the short memories of voters is what keeps politicians in office!

Sincerely,



Editor/Publisher