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Dear Client:

Traffic issues abound in major US cities and, in fact, worldwide. New traffic solutions, some quite controversial, are being tested or actually installed. Austin is facing some of the same congestion/traffic problems that have triggered actions elsewhere. But, so far, Austin has not officially adopted any of them. However, it is important to track these trends – just in case.

What are the trends? How about congestion pricing? This is where cities are so concerned about traffic in their downtown areas, they **charge a premium if you drive downtown**. One US city is getting ready to levy a **pay-per-mile gasoline charge** versus a per-gallon gas tax. And, of course, the long-discussed **increase in gasoline taxes**. Here's what's happening now.

CONGESTION PRICING. Just this month, **a proposal to charge motorists \$12 to drive into the busiest parts of Manhattan started gaining steam.** London, Stockholm and Singapore already have congestion charges. Trucks, Uber and Lyft would also be hit by differing amounts with Manhattan's congestion tax.

PAY-PER-MILE GASOLINE CHARGE. Seattle, in a coupla weeks, will start a one-year pilot program to charge 2,000 individual **drivers a pay-per-mile gas tax, instead of a per-gallon gas tax.** "Oregon, California and other states have proved that it can be done, at least on a small scale," according to Governing.com.

INCREASE GASOLINE TAXES. This has been cussed and discussed for years. But this month the powerful business lobby, the US Chamber of Commerce, said it will push Washington to **increase the federal portion of the gasoline tax by 25-cents per gallon.** (Texas state officials have shown zero appetite for increasing the state's portion of the gasoline tax.)

The argument used to implement these money-raising options is the **revenue will be spent on infrastructure improvements.** This is in face of declining gasoline tax revenues due to better gasoline mileage, hybrid or electric vehicles, lower gas prices, etc. **So the pitch to get additional revenue – in addition to, hopefully, decreasing congestion -- is getting traction.**

As we said at the top, **no serious effort has emerged in Austin or at the state level to install any of these options.** And there are huge logistical problems to implement some of them. **But it's our job to keep you abreast of trends elsewhere ... just in case they pop up here.**

What some considered an Austin Energy (AE) gamble may pay off. As we've reported, Austin is moving hell-bent-for-leather to increase its reliance on wind and solar power to provide Austin area customers with electricity. AE has been gambling by entering into contracts with alternative energy providers whose plants, specifically wind power, are not yet up-and-running. Speaking of running, one South Texas wind plant just closed out a cooperative deal between running-shoe maker Nike and AE to buy all its power.

The 286-megawatt wind farm is just inland from Corpus Christi. **It's called the Karankawa Wind Farm** (don't know if there is any hidden message here due to the fact that Karankawa was the name of a cannibalistic Indian tribe that roamed South Texas). The wind farm is owned by Avangrid Renewables LLC. **Austin Energy and Nike have agreed, combined, to buy all the energy output from Avangrid's wind farm.**

What's interesting is the South Texas plant has not even started construction. Yet it currently has contracts for all of its product. Sure, it doesn't take long to build a windmill-driven wind farm. **Avangrid said construction will start next year and be completed within the same year, 2019.** Such a deal. With contracts in place, it should be pretty easy to finance Avangrid's proposal.

Admittedly Avangrid Renewables has strong credentials. It just completed work on what is now **Oregon's biggest power plant. Apple is its customer.** And it's working on another Oregon wind farm for **Apple** as we speak. Oh yeah, it's also providing energy to **Amazon** (from a wind farm in North Carolina) and to **Google** (from two South Dakota wind farms).

The Austin City Council is moving steadily ahead on an ordinance to require Austin companies to provide paid sick leave to their employees. A draft of the ordinance has been completed and is available for review. The plan is to bring it up for a vote in February, following hearings.

And the battle lines are being drawn with one side using a **tactic adapted from national vitriolic campaigns** – a video calling for action.

The video shows a well-dressed businessman being showered with \$100 bills raining down around him. The audio says **“Trump just gave Austin businesses one of the largest tax cuts in history. But an estimated 223,000 Austin workers still don't get paid sick time!”** And the call to action: **“Tell Austin City Council Austin families deserve better.”**

A group called the **Workers Defense Project** released the video. Among other items, the proposed ordinance would give an **hour of paid sick time for every 30 hours worked.** The limit would be 64 hours/year. Obviously this could change. But it's on the table for now.

Coupla points about Amazon's search for a site for its second headquarters, Amazon HQ2. The points relate to two areas where the Austin area has been downgraded in some eyes – transportation and incentives. No announcement here – just some observations.

Many of the 20 finalist cities are reportedly bundling billion dollar packages to entice Amazon HQ2's \$5 billion capital investment and 50,000 jobs. The Texas Public Policy Foundation (TPPF) thinks development deals are bad public policy. **It argues long-term financial advantages, such as found in a few states like Texas, are more important.**

TPPF says "Amazon's accountants aren't just looking at the temporary tax breaks they're being offered. **They are also looking at the tax bills and regulatory environment they'll be facing 10 and 15 and 20 years down the road.**"

The other point is a bit surprising at first glance. The argument goes like this. Amazon will not want to enter a market that has what is called a Class Bravo airspace. This is an aviation term that downgrades major airports in cities such as Denver, Los Angeles, Chicago and Washington DC. What's wrong with them?

The reason is obvious, if you have ever flown into one of these airports. **A good portion of the time flights are late, airports are congested, traffic can be a nightmare getting in and out.** This line of analysis goes that Amazon will not want to move into an area where their employees, their customers and suppliers have a hard time navigating.

Further, this thinking favors Austin and Columbus, Ohio, where there are regional airports that are easy to move in and out of. Amazon is planning for a twenty-year plus time frame.

The nation's other big economic development prize is Apple. It announced it will invest \$350 billion throughout the US, including another big corporate campus and increasing its workforce by 20,000 employees. Austin surfaced immediately in the speculation as a potential beneficiary. Now comes a report that Texas and California are out of the running for its new campus. So, what's the story?

Since Austin currently has the 2nd largest concentration of Apple enterprises (California is the first), **it is certainly plausible Apple may want to look at another location for a big campus.** But, even if Apple does exclude California and Texas from its campus consideration, **it certainly does not mean Austin will be left out of Apple's future major plans.**

From all accounts, **Apple's CEO Tim Cook is enamored of Austin and the success Apple has enjoyed so far with its massive investments here to date.** Cook as much as said on a recent visit to Austin that Apple will continue expanding here. Why tamper with success?

Can you believe it? California legislators are considering a measure that would surely force more companies to leave their state and likely head to places like Austin or other cities in Texas. It's all because California legislators are wanting to cash in on Congressional tax reform just enacted for corporations.

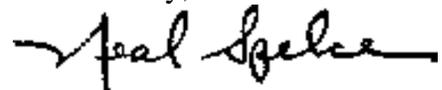
The California Assembly is considering a constitutional amendment requiring companies that receive the tax break to **turn over half of the funds covered by this federal tax reduction to the state**. Yep. You read that right. They are considering creating a tax surcharge on companies making more than a million dollars. **Half of the federal tax cut would go to California instead of the companies**. If it passes, that giant swooshing sound you will hear will be even more companies quickly leaving California for lower tax states like Texas.

Drought conditions continue to intensify in Texas – but not so much in Central Texas ... yet. The “seasonal drought outlook” published weekly by the Texas Water Development Board (TWDB) reported “over the next few months, drought is expected to continue to expand in west, central and south Texas.” TWDB also put it another way: “By the end of April, only parts of north central and east Texas are expected to remain drought free.”

UPDATE: We told you last September the Downtown Austin Alliance (DAA) kicked off a pilot program to address unsanitary conditions in the downtown area. It wanted to test the concept of free public restrooms. So, how is the test going? DAA reports for the first 90+ days, more than 11,280 used the porta-potties, that are open 24/7. This averages about 120 per day and 4.4 per hour. DAA calls the test “highly successful” so far. The pilot continues until March with one or two more test sites planned.

Dr. Louis Overholster stopped calling his bathroom the “John” and re-named it the “Jim.” He says he feels so much better saying “I went to the Jim this morning.”

Sincerely,



Editor/Publisher