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Dear Client:

**Downtown Austin's skyline is an intriguing thing to behold. It's continually changing, with office, hotel and residential skyscrapers replacing tall construction cranes on a regular basis. Infrequent visitors to downtown Austin express amazement over the visual transformation. Well, it won't be long before two more office towers will emerge closer to the State Capitol. Yep, the State of Texas will soon join the building spree. Let's check out the latest.**

Consolidating state offices and state employees has long been discussed. After all, in a state that has been one of the fastest-growing in the nation for years, **it is not surprising the size of state government has been expanding as well. As this expansion takes place, many state agencies have been paying rent to provide space for state workers.** And, many of those employees are spread around town. So, what's the plan?

The Capitol Complex Master Plan is composed of three phases that will **consolidate several state agencies in buildings near the State Capitol.** It's big. The current cost is estimated at \$581 million. And, this is planned to deliver about one-million square-feet of office space in two new office buildings.

**One building is a 14-story office tower.** It is planned to contain about 600,000 square feet of office space. **The other state office building is a 12-story tower.** The plans call for it to contain about 400,000 square feet.

Yeah, but what about parking in this area that is adjacent to the downtown area, where City of Austin policies have severely restricted auto access and parking? **Part of the plan includes a five-level underground parking garage.**

To the credit of most state building plans, a lot of effort is focused on cosmetics. Right now, a **grassy open-air mall, with a lot of trees, on Congress Avenue is part of the Master Plan.** After all, this is public space that hosts visitors. It will run from the Capitol's north steps for several blocks up to MLKJr Blvd.

When viewed as part of the overall downtown Austin skyline, **14-story and 12-story office buildings will not compete visually with the high-rises shooting skyward a couple of blocks away.** But the investment is planned to save state money in the long run and theoretically make state government more efficient by this consolidation. And it will "fill-in" a changing skyline.

**Any way you slice it, downtown Austin has been massively impacted by an enormous revitalization. Back in the late 1970s and early 1980s, the debate was how to revitalize downtown. It had been all-but-decimated by the development of regional malls that changed retail and shopping habits. Few lived downtown. Now look at it! The change is phenomenal. But what about the infrastructure to support this undreamed-of expansion? Specifically, electricity. Are power outages for downtown denizens on the horizon?**

Think about this. The City of Austin electricity utility, **Austin Energy (AE)**, has been **planning to add a new downtown power substation for 20 years. But, nothing has been built during that time.** Really? Look at downtown growth during the past two decades. It's outta sight. AE operates 70 electrical power substations throughout the Austin area. **And only two substations – that's right two, Brackenridge and Seaholm, substations – serve downtown.** Are recurring brown-outs or complete power outages looming?

Granted, the downtown Brackenridge and Seaholm substations have a greater capacity than the suburban facilities. But. Still. **The demand for electricity in downtown is growing exponentially.** And it shows no signs of slowing.

**It's not for lack of *planning*. Lack of *execution* is key.** In 1999, the City bought a piece of land in East Austin for a future substation. Later, the Austin City Council adopted a Downtown Austin plan in 2012 calling for a third future downtown substation. All well and good. **But construction has not started.**

**Do you know how long it takes to make something like this happen? In Austin?** Consider **re-zoning** of property, a **review** by the appropriate city commissions (like Zoning and Platting) – not to mention the Downtown Commission and the Electricity Commission. And, oh yeah, **public input** on what the substations should look like, etc.,etc., etc.

If all goes without any delays (what's the likelihood of that?), **it could be at least 2020 before ground could be broken for one or two new power substations to serve downtown Austin.** Then, of course, you have construction timetables beyond that.

So, what's the plan? And the cost? AE calls it "repowering downtown." **The cost is \$60 million. This will build a new substation at 55 East Avenue, in the Rainey Street District downtown** (it will be interesting to see how the neighbors react to this proposal).

It's a bigger question than just building a new substation, though this is important. **You gotta get the electricity from the substation to the end user** – the condos, the office buildings, retail establishments and restaurants that increasingly are operating more than just eight hours a day. **Upgrading transmission lines is essential. Many of the lines were built 50 years ago. These 69,000-volt lines need to be upgraded to 138,000-volt lines.** AE plans to do this. But time's a-wastin'. **It's a question of capability – and safety.**

**The mandatory paid sick leave proposal for Austin businesses is moving quickly toward approval. Last we checked, it will be on the Austin City Council agenda for passage February 15, 2019. But the Austin Chamber of Commerce (ACofC) asked the process be slowed, after a draft ordinance was laid out and a vote scheduled just 19 business days later. So is the ACofC objecting only to the swift timetable? Nope. It has a lengthy list of concerns.**

As the ACofC put it in a recently-released position paper: **“The whole process is being unnecessarily rushed despite its potential impact on 30,000 Austin businesses.”** It has a recommendation: **“contract with an unbiased, third-party local research institution to use local data and determine the cost to employers and government for implementing the proposed ordinance.”**

What are the Chamber’s concerns about the proposed city ordinance? For one thing, it **“doesn’t utilize Austin-specific data to determine the actual number of employed Austinites who lack access to paid sick leave.”**

**“As currently drafted, the City of Austin would not be subject to its own ordinance,”** the Chamber continued. “The draft ordinance doesn’t include an economic impact analysis. It doesn’t identify how the administrative cost and burden will impact young Austinites seeking internships, **small and local employers, and charitable and not-for-profit organizations.**”

**“It also doesn’t include an analysis of the cost to taxpayers for a City of Austin rollout, oversight and compliance.** In summary, this current proposal has unintended and unknown impact,” the ACofC concluded.

The Chamber said it is “opposed to this ordinance” if the Council doesn’t contract for an independent study and then provide for a 90-day feedback period. **“At such point, the Chamber Board will be in a position to make an informed decision on this important issue,”** it said.

**The year 2018 will be a robust year for Austin’s housing market, predicted a longtime Austin residential real estate expert. But that doesn’t mean there won’t be concerns, such as were present last year. And, oh yeah, what about the prediction for increased mortgage rates?**

In a presentation this week to Austin area homebuilders, **Eldon Rude** said, in effect, the housing market **concerns arise out of a high-demand, dynamic marketplace – not from any downturn-type crisis.** It is pushed by new residents coming to the area for increasing jobs.

**More so this year than last, the spectre of rising mortgage interest rates hovers over the area.** Most economists predict the rates will rise this year. How much? Don’t know. But the burgeoning national economy is given as one reason to anticipate higher costs for a mortgage.

**Just how big is the gorilla known as Southwest Airlines in terms of passenger dominance at Austin-Bergstrom International Airport (ABIA)? In the record 2017 year, Southwest Airlines carried darn-near double the number of passengers as the second-place legacy airline. And, its percentage *increase* in passengers is also double that of #2 American Airlines.**

To put this into context, you need to realize 2017 marked the **eighth consecutive year the Austin airport set a new annual passenger record**. Due to the trend lines, it was easy for us to forecast last month that 2017 ABIA passenger totals would surpass 13 million. But, it was a bit of a surprise the total reached 13.8 million. After all, the 2016 annual total was 12.4 million passengers. (The increase, by the way, was an impressive 11.5%.)

You'll recall the old bromide that a rising tide lifts all *boats* – in this case, it's all *airlines*. And yet, **Southwest has not seen its dominance erode**. Sure the other airlines should be rightly proud of their increases in fliers. But, oh my, Southwest is not giving up ground. Check some of the 2017 annual numbers:

**Southwest Airlines**, 5,173,344 passengers, up 8% ... **American Airlines**, 2,628,573, up 4% ... **United Airlines**, 2,262,060, up 16.5% ... **Delta Air Lines**, 1,776,567, up 16% ... **JetBlue Airways**, 596,189, up 6% and **Frontier Airlines**, 480,801, up 52.5%. The eleven remaining airlines with scheduled flights at ABIA had much smaller totals.

Interestingly, when you examine the five-year passenger totals at ABIA, **you find the lowest passenger totals occur each year in February**, followed closely by January. A steady rise begins in March, **peaking in July as the biggest ABIA passenger traffic month**. It dips in August and September, then rises almost to the July peak in October. And it's generally been true for the past five years. This might be helpful making your future air travel plans. (Also, go to our Archives, and check our 1.5.18 edition for an ABIA construction expansion update.)

**Dr. Louis Overholster's** question of the week: "Why do I have to 'Press One for English' when you're just going to transfer me to someone I can't understand anyway?"

Sincerely,



Editor/Publisher