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Dear Client:

In this holiday-shortened week, it seems appropriate that a number of short items should dominate this edition of the newsletter. Not that they are any less significant. It's just they can be covered with a few sentences or paragraphs. Take the now-defunct ban on single-use plastic bags as our first example.

It didn't take long after the Texas Supreme Court ruled local bag bans ran afoul of state law for the state attorney general to take action. (Austin has had a bag ban since 2013.) **This week, Attorney General Ken Paxton officially notified Austin and other Texas cities their local ordinances were illegal and therefore unenforceable.**

To make sure the word got out, **Paxton directly notified the City of Austin, Mayor Steve Adler and the 10-member Austin City Council, then he issued a press release to the media.** Now what? The ruling that banning plastic bags is illegal as of this moment should stand until some counter action – if at all – is taken.

It may not be long now before you see electric-powered, autonomous transit vehicles circulating in Downtown Austin. It will be a pilot program instituted in two phases – technology testing and actual service runs.

The testing by Capital Metro and the City of Austin Transportation Department could begin later this month and take up to 60 days. During the second phase, proposals will be evaluated to **lease six vehicles, carrying up to 15 passengers, to run in the pilot program for 12 months.**

CapMetro thinks the fleet of vehicles will be in operation on downtown streets in late fall. **Not to worry. CapMetro says operators will be on board while the autonomous electric vans are being evaluated and running in service.**

For Austin airport travelers, and those picking up arriving passengers, the renovated cell phone lot is offering this month a Texaco fuel station, 120 parking spaces, a convenience store (serving tacos, BBQ, etc.) and electric vehicle charging stations.

Speaking of air travel, this is the month Austin-Bergstrom International (ABIA) may surpass a major milestone – 1,500,000 travelers. No ABIA official is saying anything yet. But July is always the busiest passenger month of the year. Just do the math.

Last July, a new record was set – more than 1,300,000 travelers. This record stood until **March April and May of this year, when a new record was set each successive month.** (The reporting lags the actual by almost a month.) Get this: May 2018 saw a monthly increase of almost 100,000 travelers– to hit yet another record, 1,414,243.

Don't know about June yet. **It is possible June could surpass the 1,500,000 mark.** But if it doesn't, it'll come close and set the stage for the traditional biggest month of the year, July. **Not only will the record be broken again in July, it will likely be smashed to smithereens.** ABIA's expansion construction, scheduled for later this year, can't come soon enough.

While on the subject of “gettin’ from here to there,” land surveys are underway along nine key Austin corridors as part of the 2016 mobility bond passage. The design phase of this part of the Corridor Construction Program could last 12-to-36 months, depending upon the project.

The projects: **North Lamar** (from Hwy183 to Howard Lane) ... **Burnet Road** (from Koenig to MoPac) ... **Airport Blvd** (from No. Lamar to Hwy 183) ... **East MLK/FM969** (from Hwy 183 to Decker Lane) ... **South Lamar** (from Riverside to Ben White/US290 West) ... **East Riverside** (from IH35 to SH71) ... **Guadalupe** (from MLK to West 29th) ... **William Cannon** (from SW Parkway to McKinney Falls Parkway) and **Slaughter** (from FM1826 to Vertex).

Here's the very latest on Amazon's high-profile search for its massive second headquarters that will ultimately be home to 50,000 workers: nobody knows nuttin'. Well, at least from a public standpoint. Amazon site selectors have visited all 20 finalist cities – obviously, including Austin – but so far no word has leaked out about preferences for the site for Amazon HQ2. But speculation continues to run rampant.

The latest speculation concerns geeks -- so important to Amazon. **Techies are a key component of Amazon's employee base.** So, GeekWire.com conducted a survey of its readers asking which of the 20 finalist cities its readers would choose to live in. The results: **Raleigh was #1, Atlanta was #2, Austin was #3.** Not bad. For what it is worth.

By the way, much of the Amazon HQ2 speculation has centered on “incentives” – some in the billion dollar range – that various cities are offering for the prize economic development plum. In fact, the **Austin City Council has delayed until at least August 8th discussion of a new approach to incentives for economic development.** Stay tuned.

Despite flat absorption and increased vacancy in Austin’s office market, heavy demand is lurking on the horizon. CBRE Research has identified more than 7.4 million square feet of demand. As a result, office developers are motivated to bolster office construction pipeline.

What does this mean? **CBRE Research notes that 4.2 million square feet of new office construction is currently underway.** This is in spite of the fact local office absorption levels during the first half of 2018 were relatively flat compared with the past three years. And, vacancy has ticked upward a full percentage point to 10.7%. This was largely due to slightly more than 80,000 square feet of new space demand, according to CBRE.

Office space isn’t the only commercial real estate game in town. What about so-called *industrial* demand? Or, to break it down: “flexible” commercial space ... or space utilized for Research and Development ... or warehouse and distribution space?

Let’s turn again to CBRE Research. It reports in its latest industrial report that **industrial absorption in the Austin area was strong in the 2nd quarter 2018.** Specifically it cited positive net absorption exceeding 82,000 square feet mainly in “warehouse/distribution.” As for the immediate future, CBRE said it is **tracking more than 1.8 million square feet of user demand** for both Flex/R&D and warehouse/distribution space.

Austin’s nation-leading economic success month after month is impressive in and of itself. But, face it. Austin is not an economic island. Its results are bolstered by being an integral part of Texas (can you say “no personal income tax,” etc.). Also the dynamism of *other* Texas cities, too often overlooked, aid immeasurably to the solid economic environment. Let’s look quickly at nearby formerly-sleepy Waco and emerging energy force, Corpus Christi.

Waco and Austin were comparable for years. Then, as Austin surged, Waco languished. No more. **Waco is on the move. Waco’s home county, McLennan, is outpacing both the US and Texas in growing its labor force.** Waco’s seven county metro added 5,432 people to its labor force between May 2017 and May 2018. Still not Austin’s numbers, but impressive nonetheless. And Waco’s sales tax revenue is trending in the right direction, notching its highest year-over-year growth since October 2016.

Corpus Christi is really investing in its city’s future. Big time. The Port of Corpus Christi is issuing \$217 million in revenue bonds. The port’s channel, currently at a depth of 45 feet, will be dredged to 54 feet to accommodate larger vessels. Not only that, it will be widened to 530 feet to allow for two-way traffic flows. **This will make the port the deepest navigation port along the oil-rich Gulf of Mexico. Corpus Christi is already the largest energy export port in the US by volume.** Dredging operations are scheduled to commence later this year.

Turning now to a workaround of a “crisis” affecting a Central Texas summertime tradition. We’re talking about tubing on the Comal River in New Braunfels. If you’ve ever plopped your bottom into an inner tube for a lazy, soothing, cooling float down the Comal, you’ll understand the “crisis.” Once again, in spite of past legal challenges, New Braunfels has banned single-use containers – yes, they’ve banned beer cans and plastic water bottles – for tubers who have enjoyed jamming those items in an ice-filled cooler and attaching it to the inner tube. But wait, *Texas Monthly* is riding to the rescue with a way around the ban.

It’s not that New Braunfels city leaders don’t want you to enjoy this simple summertime pleasure. Folks floating the Comal, whose entire course is within the city limits (which by the way is the **shortest navigable river in the US**), **have left behind tons of debris each year.** The city, and many residents, are tired of despoiling their watery treasure. Hence the ban.

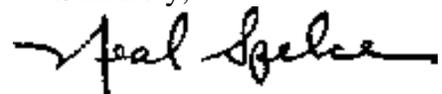
How to workaround the ban – legally? Ever enterprising, *Texas Monthly (TM)* this week published a column by Texanist **David Courtney**, who had suggestions to satisfy the **beer-drinkers and thirst-quenchers who don’t want to give up the soul-restoring, lazy, water-floating experience.**

“The Texanist is happy to report that the **legal options are as boundless as one’s imagination**,” reported *TM*. “Just so long as a person is carrying and sipping his or her beer from a **reusable vessel**, the sky is the limit. One popular method seems to be **non-glass growlers or similar containers and large stainless-steel cups.**”

“The most important thing to note is that **the ordinance does not in any way prohibit the consumption of alcohol on the rivers**,” *TM* noted. After all, New Braunfels is the very essence of a Germanic-heritage community, celebrating beer-drinking and sausage-chewing each year in its version of Oktoberfest, called Wurstfest. You’ll note “rivers” is plural in this paragraph. The Guadalupe River, where it courses through New Braunfels, is also included.

Dr. Louis Overholster said one over-imbibing tuber asked another over-imbiber the time. When told it was “thirteen o’clock,” he said “we better get out of here, it’s later than it’s ever been!”

Sincerely,



Editor/Publisher