The Next Austin Bust

Will it be bad? Can we be ready? Or should we not care? By Mike Clark-Madison, Fri., March 8, 2019



question of when, not of a decade ago, continuing to grow in whether, this all population throughout and recovering all

of its employment and GDP losses by changes." - Mayor 2011, without any fundamental change in Steve Adler

our economic trajectory. "We were one of the last cities in and one of the first cities of when, not whether, this all changes." It's going on 20 years now since the last big shrink of local prosperity with the end-of-the-millennium dot-com bust (followed by 9/11). Throughout that period, Austin has worked above its weight to pull along the Texas Miracle as the rest of the state rearranges its own economy around the ups and downs of energy prices, defense spending, cross-border trade, and the weather. Central Texas' relative immunity to those economic downdrafts, and its by-now firm integration into a global tech economy, leaves us cast in the role of the bubbliest, buzziest,

Southwest 2019 starts this week.)

not always to our advantage – Austin

was barely dented by the Great Recession

cycles, so it is just a

Boomers and Gen X-ers here remember not only the tense turn of the century, but also the shattering mid-Eighties energy bust that left Downtown vacant and left behind the ashes from which today's hipster-tech Austin arose. (For many of us, that was the Austin we moved to.) Even as Austin continues its seemingly perpetual forward motion, we know it's stopped before. What if it does? Will it be bad? Can we be ready? Or should we not care? And if we don't, is somebody else caring on our behalf? The West Coast Model (F'in Condos) Many of us have spent more than a decade listening to each other grumble in

boomiest Texas boom town that ever done boomed. (In related news, South by

moved to the Austin metro area each and every day since 2010 - more than double our "natural increase" of births over deaths. That migration, most of which is from elsewhere in the U.S. rather than from overseas (as is the case on the coasts), has piled up over that near-decade to now equal more than one in eight Central Texans, the highest share of newbies of any Top 50 U.S. metro. Austinites are now numb to these stats and bored by the search for a reversion to the mean. Someone, someday, will build that one residential tower too many and be left holding the bag, but it's not happening soon, so we can talk about something else. However, when the next bust may burst is a big deal for real

are trying to move money now - and that industry controls a lot of mindshare

Home sales and median prices have reached record highs for eight years in a

row, and even a slight slowing of that growth rate, as happened in January, is

termed by the Austin Board of Realtors a "normalizing of the market," which

calms the nerves of those who fear we're in a bubble that awaits popping. In a

sales" can seem grating as well as distorting, but the city of Austin proper makes

up only 43% of the population – and, in the last year, only 23% of the growth – of

the metropolitan region. For every one of those f'in condos, dozens of single-

town where half of us rent, the reflexive equation of "prosperity" with "home

bars, "Who's gonna live in those f'in condos?" only to watch someone, not you or

me, always show up to live in those f'in condos. On average, 104 people have

family homes (and, to be fair, plenty of apartments) now lie at the edges of commuting range and within the price range of Austinites whose jobs continue to cluster in the urban core. Ten ZIP codes in Austin – mostly lined up along MoPac - contain more than half of the city's employment. That spatial mismatch of jobs and housing, which has been true for a great while and persists despite Austin's furtive yet fitful efforts to plan for another model of growth, sets the contours for one scenario of what the next bust might look like. Or, if you are of a more pessimistic disposition, the bust that's already happening. We can call it the West Coast model, in which Austin becomes an overpriced enclave of "livability" - what city demographer Ryan Robinson dubs "Monaco on

current political environment." Regionally, you'll see "sprawl at Mad Max levels, while the upper 10% all drive around the city of Austin in their electric vehicles." **Producing and Consuming Culture** Again, many of you reading this will say this is already happening, and you hate it. But not enough yet to want to, or feel able to, pick up and move elsewhere, and not enough to discourage other people, of all income levels, from coming in to take your place, and take up those housing units in the outer bands of Central Texas.

you see in many coastal cities. But sprawling home construction in three directions from Austin sustains the model – the pressure on working-class people in Austin, while increasing, is still far lower than in many of Austin's peer markets with similar tech footprints." That is to say, while people tremble, and not without cause, at the thought of Austin becoming Seattle or San Francisco, that fate is a long way away as long as people decide, "Hey, it's not so bad to live in Elgin or Taylor or Liberty Hill." And Central Austin townies, for whom moving to those places equates to being

"priced out of Austin" with much trauma and resentment, do tend to

this point is among metros in the South and the Mountain West.)

underestimate the degree to which incoming migrants do find that equation

perfectly tenable. Our regional housing costs are way lower than on the West

Coast, and job opportunities, even factoring in the commute, are greater than

what's on offer in the Midwest and Northeast. (Our real peer-city competition at

So by the numbers, Central Texas can continue to perform at or beyond the pace

of most U.S. metros, even while qualitatively we wring our hands and feel a sense

of loss for what we wanted Austin to always be – a relaxed, highly amenable yet

Within our urban sphere, the centrifugal "We're one badass city forces pulling Central Texans apart with a lot of potential, geographically are indexed to and we're the ones demographic divisions of income, messing it up." ethnicity, and class, which makes for turbulent conversations about Natasha Harpergentrification and displacement among Madison many Austinites who feel like they're already living through a bust. A metro area that becomes more disturbingly segregated and balkanized is, at the very least, off-brand for the Austin we want to be and that we've promised the world

"We're not really multiple communities, and we have to stop separating ourselves

Council Member Natasha Harper-Madison. "That's not the environment in which

people here now are doing cool community-based and cultural work." The new

African-American representative of East Austin's District 1 points to up-and-

Eastside. "We need to collaborate so we can inspire people, instead of using

coming businesses and civic efforts that are re-energizing a still-diverse

into smaller cities by geography or race or socioeconomic status," says City

we are.

A more long-shot risk from Austin's perspective, although one that may paradoxically be less distant in a global view, is that the companies Adler references, brought and kept here by our sexy, sticky quality of life, suffer their own sort of systemic shock - that is, a collapse of the tech titans. We can view that as the Detroit scenario, where the jobs go away and stay away, thus dissolving all of the secondary employment that's made possible in Austin when, for example, Google snaps its fingers and leases out an entire new Downtown office tower. That's the kind of dislocation we saw during the dot-com bust, and observers like

Robinson (and this reporter) concluded at that time that those buffalo weren't

software development is not quite the same as it was in 1999. But overall tech-

sector employment has clearly recovered – the Austin Chamber of Commerce in

2018 estimated we have about 6,500 tech employers in the metro area, a number

coming back. And in a sense, they didn't – Austin's positioning as a tech

that's grown 35% just in this decade.

Republic Square.)

manufacturing center (particularly the semiconductor sector) and even in

The 2007 implosion of the abandoned shell of what was to be Intel's regional headquarters, which stood

for years as a grim souvenir of the dot-com bust (It's now the site of the federal courthouse, near

So forecasters aren't sure what would happen to Austin now should the tech

Apple, Netflix, Google) and their attendant ecosystems – hit the skids, once

industry - and particularly the bubbly world of the FAANGs (Facebook, Amazon,

investors decide that maybe, say, Apple isn't really worth a trillion dollars. "There

is a lot of growth momentum here in Austin that will likely last another few years,"

says Oden. "But a profound tech bust is possible because of intense saturation

and wild overvaluation of tech company stocks. How many devices, apps, and

social media streams can individuals absorb?" He adds that "this could shift the

growth trajectory of the region, if there is no new product cycle we could jump to

like we did from tech manufacturing to tech services after the 2001-02 bust."

This is the point in the narrative where you hear the word "resilience." It's true

university town, with jobs that will always be tied to something here. (They may

not always be where they are physically, right now, but that's more of a land-use

question than an economic one.) Those pillars of the economy also give Austin a

scaffold upon which to advance its "eds and meds" economy around R&D and

that Austin's been less buffeted, and quicker to recover, from this century's

economic shocks because of our built-in resilience as a government and

about 21,000 in the dot-com bust, and and flexibility to go 10,000 in the Great Recession) in a elsewhere or quickly FAANG-driven crash, and then weather the spillover effects of that bust on retool if they stayed secondary employment, property values, here. What about local per capita wealth, and so on. We'd everybody else? need other ways for our workforce specifically our working-class and middleskilled workers – to survive. Even if the Austin metro area saw an actual net reduction in population, which it hasn't at any point in living memory, it'd be higher-skilled younger workers who'd have the mobility and flexibility to go elsewhere, or to quickly retool to other employment (such as in eds-and-meds enterprises) if they stayed here. What about everybody else?

and stockholders who can duck and cover and stay warm if there's another

crash, while working people are left out to dry. In District 4, over 20% of our

Adler touts the city's commitment to workforce development as an essential

response to that incipient crisis. "We have to solve for that question," he says,

and "do a better job with developing internships and apprenticeships and co-

partnered in 2017 to promote a "Middle Skills Initiative" to increase job training

opportunities in industries such as health care, as part of the recent regional

Both Adler and Casar also point to the city's current flood of infrastructure

investing with the private sector." (Adler and Travis County Judge Sarah Eckhardt

investment – the 2016 mobility bond, the school district's 2017 bond, and the city

workers are employed in construction; in District 2 [Southeast Austin], it's

hospitality and services. We'll take an enormous hit."

workforce plan.)

package passed in November, which between them total more than \$2.5 billion in spending – as "something we need to leverage as a skilled labor training program," the mayor says. Casar adds in a prospective transit bond in 2020 and the upcoming construction of a new terminal at the airport, which just last week opened its latest and final expansion to the existing terminal. "We can accelerate these construction and engineering projects to create good living-wage jobs with union and labor protections for all these workers," he says. "We should take advantage of that opportunity now." Smooth, Supple, Bouncy: Resilience

Austin has made a big, big deal about being a leader in the response to climate change, which in turn might contribute to our economic resilience in some future Green New Deal world. That's not the same, though, as working and worrying over our own exposure to direct and indirect environmental threats. While Austin is, on this score, in a much better place than, say, Houston – which has decades of catastrophic flooding to look forward to – that exposure is greater than zero.

capacity transit is imperative." The always-intermingled debates over mobility, housing affordability, and reforming our land use code are influenced by the signals sent by the marketdriven here and now (Who's going to live in all these f'in condos? What are you going to do about this traffic?), but really are charting a course for a more resilient city decades hence. "That's why we need to actually get the code done, and the need for transit is inescapable," Adler says. "Right now, with the emphasis we're putting on affordability and diversity and

might help us survive. Getting before the voters in November 2020 to do high-

out," says Mayor Steve Adler. "But markets move in cycles, so it is just a question

estate actors - ordinary buyers and sellers as well as builders and lenders who

Austin dedicates to its "economy."

the Colorado" that's "way too expensive for most regular folk. Our housing may have already become too expensive." Thus the deconcentration of the Central Texas population, which Robinson sees accelerating, and eventually with it, employment – not necessarily of high-tech professional jobs, but of the non-creative-class jobs that here, as elsewhere, make up the larger share of employment. As people move farther out, they bring with them more H-E-Bs, more health care centers, more small businesses of all kinds, more manufacturing and logistics jobs that need space and mobility, and

eventually even more government offices, despite the state's current interest

What's left in the city are "very high-income professionals, mostly from tech and

wallets," says UT professor Michael Oden, who takes pains to describe his views

as "wild speculation, since I don't think we can predict anything, especially in the

medicine, [who] will continue to vote for Central Austin locations with their

(after decades of apathy) in densifying the Capitol Complex.

"I don't think people appreciate to what extent attitudes around land use enable Austin," says Brian Kelsey, former economic development director at the Capital Area Council of Governments, now in a similar role with the city of Nashville - one of Austin's up-and-coming competitors for It City. "Opposition to home construction in much of the urban core in Austin is today no different than what

highly accessible venue for creative ways of life, the identity that allowed an institution like SXSW to grow and thrive here in flyover country. "That's our most immediate threat," says Adler. "We become increasingly more expensive and lose the diversity we have, the artists, and the soul of who we are. "Once we lose that, we become a place where we consume culture instead of creating it, and people will want to live in Nashville or Denver or Raleigh/Durham or wherever," the mayor continues. "And we stay economically strong because the companies we have here are here because the people they want to work for them want to live here. If they want to live somewhere else, that's a problem."

language that centers what they lack, which disempowers them. We're one badass city with a lot of potential, and we're the ones messing it up." The Detroit Model: Broken FAANGs

health sciences, the economic tonic that's sexified sad-sack cities like Pittsburgh, Memphis, and Cleveland. But even that may not be enough to take In a crash, higherup the slack if we lost, say, 30,000 of our skilled younger workers approximately 150,000 tech jobs (we lost would have the mobility Given that this scenario, while low-probability, could happen quite suddenly if it does, advocates for the interests of non-tech Austin feel some urgency. "Since the Great Recession, working people aren't earning what they should be based on their productivity, nationally," says Council Member Greg Casar, who represents District 4, the lowest-income of Austin's 10 Council districts. "It's better than being in a recession, but the benefits and gains are going to owners

"Resilience" means more than just our economic suppleness. We also now worry, more than before, about how well our physical city is hardened or can bounce back, with each passing dire warning and visible precursor of major infrastructure dysfunction or climate disruption. As an obvious example, we've zealously stewarded our water supply with

controversial long-term investments, buying decades' worth of rights to Highland

Lakes water back in 1999 for the then-astounding sum of \$100 million (paid with

Plant to treat it. Yet just within the last six months, our water has twice been unfit

malodorous due to infestation of our water supply by an invasive species whose

an actual check) and then building what is now the Handcox Water Treatment

to drink, whether too dirty due to unprecedented upstream flooding, or too

range has extended southward.

Adler identifies the water supply – both in quantity and quality – as "an Achilles" heel of our resilience," for which the city's recently adopted Water Forward plan helps to provide answers. He also frets, as he has his entire term, about our transportation infrastructure – not only because traffic is a constant complaint among the locals, but in light of the climate-driven need to upturn the singledriver model. "We're encouraging new mobility technologies and experimentation and innovation even when it's disruptive," he says, "because in the long term it

equity - we're pushing harder than many cities are, and on sustainability, we really are an international leader," he continues. "I think things are really going well, and we have a huge measure of opportunity, but it's not accessible to everybody and we have to be focused on increasing that access in everything we do. We're the cool city right now, but there's nothing sadder than being the city that used to be the cool city."