



# All the Dirt

March 2013

By Frank Harren

## As Promised: Why Austin Needs a Subway

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Most of you know by now that Austin is planning – someday and somehow – to venture further into the world of rail transportation through its “urban rail” proposal. We’ll explore later in this issue the premise that we need to take a serious look at changing the current plan (which assumes everything being built “at grade” – i.e., at street level) to a plan that includes, at least in the central city, a portion of the system being constructed “below grade”, i.e., a subway.

## The Residential Market

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### Single Family

When I last reported to you in the fall, I noted that Austin’s residential market had been “very healthy” the last couple of years, then “really took off” about April of 2012, and that inventory had dropped to a 4 month supply, with a median price of \$212,000 – a 10 year high. Well, those trends have continued and have been exacerbated the last couple of months. January sales volume was up 33% year over year, median price was up 10% year over year, and inventory has plummeted to a historic level of 2.5 months. Can you say “Seller’s market”?

In light of the lack of inventory, I have a special favor to ask: If you know of any friend or colleague who is thinking about, or even thinking about thinking about, selling his or her home, I would really appreciate your introducing us so that I can visit with him or her. If you’re one of those extra-shy types

not comfortable making the actual introduction, or if you're just too freakin' busy, I'd still appreciate very much your sending me the person's contact information, and I'll introduce myself. You have my word that we'll take very, very good care of those you send our way. Our business DEPENDS upon your referrals, and we'll be happy to return the favor in any way we can. (By the way, you can be very comfortable that the people you refer will thank you for doing so - we at Coldwell Banker sell more luxury homes (\$750K and up) in Austin than anyone else, and we've got terrific agents and a very talented and committed staff. Not to brag or anything.)

And if you yourself would like a complimentary report on current central and west Austin home sales (or a report on any specific neighborhood within that area) and/or a free, no-obligation analysis of your own particular home's current market value, just call or text me at 512-917-9082 or email me at [harren@austin.rr.com](mailto:harren@austin.rr.com). I'd be happy to oblige.



### Downtown Condo's (Not Downton, for once!)

The downtown condo market is pretty much keeping pace with the single family market. Austin has, in my view, gotten over any initial misgivings about the urban lifestyle (i.e., living in condo's and apartments in the middle of the city). There's huge demand for everything "downtown residential", and CBD high-rise condo prices keep going up (the range is now around \$400/sq ft at places like Milago, \$600/sq ft for lower floors of the Four Seasons, to as high as \$1000/sq ft and more for the upper floors at the Austonian. The Austonian (probably on balance the priciest place to live in Austin) still has a significant percentage of its units owned by the developer, but most of the units at the W and the Four Seasons have now been sold. Smaller downtown projects have emerged recently and those that are designed well and priced reasonably are selling briskly. It's still possible to buy a brand new, attractively designed and attractively located 600 square foot, 1 bedroom downtown condo for \$200,000, but that opportunity is quickly disappearing.

Bottom line: Austin is finally taking on a more urban personality, condo and apartment living in the central city is in great demand, and I suspect that trend will only strengthen going forward. At the same time, prices for single family homes in neighborhoods close to downtown continue to move up.

## **The Mortgage Market**

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Residential mortgage rates, although they've ticked up slightly very recently, remain very, very low, with the average "no points" 30 year fixed rate loan in the Austin area typically offered at approximately 3.5% to 3.7%. Fixed rate 15 year loans with no points can generally be had for around a half point less. Can't beat that with a stick!

Bernanke is still keeping us guessing as to monetary tightening, and there are a larger number of folks thinking that short-term rates and mortgage rates will need to go up before too terribly long, but I'm still of the opinion that rates will have to stay relatively low for a multi-year period, if for no other reason than the federal government owes so much money that significantly higher rates are unmanageable. I realize the fed can print money, but then we get into the old hyperinflation/stagnation thing. I'm just giving my 2 cents worth, and it's really not even worth 2 cents, because you get what you pay for, and this newsletter is free!

## **The Commercial Market**

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As for the commercial market, I'm going to make a departure from my usual practice of giving detailed stats on the various submarkets. I read through my last newsletter, reviewed the fourth quarter numbers, and decided there wasn't much point in repeating myself (not to mention that I've got a very long "to do" list this week and need to get back to work). The summary of the situation was this:

"The commercial market in Austin continues at a healthy pace and is steadily improving. The number and variety of new projects in the downtown area is almost breathtaking. "



Fairmont Austin – opening 2015

Essentially everything continues on the same positive trend line in terms of occupancy, rates, etc. etc. The office market absorbed almost 460,000 square feet (about the size of one of the major downtown office towers), dropping the vacancy rate from 14% to 12.8%. The industrial market was strong as well, with nearly 100,000 square feet of net absorption in the 4<sup>th</sup> quarter, and a drop in vacancies from 13.4% to 12.98%. If you missed my last overview of the commercial market, or any of the previous reviews, or just want to refresh your memory, you can find everything [here](#).

So now for a little political pot-stirring.

## Around City Hall

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### We Need a Subway

We've been struggling with urban rail for a very long time; and so far we've had very little success. The Red Line, after being approved by the voters, became (and remains to this day) a financial and logistical failure; there's no consensus on whether we should build more rail, and no consensus on where new rail should go if it were in fact built. The City of Austin Transportation Department has its own preferred route for expansion of our rail system, parts of which don't make much sense to me (you can link to the city's urban rail website using the link at the very end of this newsletter). The process of planning more rail has been awkward and inefficient (a recent panel of rail experts from around the country who analyzed the process was not impressed). I would like to propose that we take a fresh new look at future rail in Austin, and that we revise our plan – to be specific, let's **place the central part of the system below grade: a subway.**



Now, before I jump into my usual rant, I want to ask those of you who are to date staunchly anti-rail (and there are a number of you on my subscription list) to hold off judging my comments until you have read completely through the article and have given it some serious thought. I suspect there are parts of this piece that you will actually agree with, even if you don't ultimately form the same conclusions as to whether or not to build a subway. Please also ask yourselves the question whether or not you would support having a well-designed and well-managed subway in Austin IF it were proven to be the most cost-effective way of getting folks around the city. I know some of you currently don't think it is, but bear with me and play the what-if game for a moment; my supposition is that all of my readers are supportive of getting people around in the most cost-effective way possible.

Okay, with that said, I want to be clear about a couple of things: 1) I'm a huge supporter of urban rail done right; and 2) I'm not convinced yet that we've figured out how to do it right. Our actions to date indicate that we are willing to cut corners and to live with an inferior product.

The benefits of a subway are many. And they are significant:

1. Horizontal alignment becomes much easier. We wouldn't be constrained by nearly as many physical obstacles: buildings, sidewalks, parks, highway overpasses, etc. If we construct the entire rail system at grade, we're obviously pretty much limited to the current right of way, where we have to then contend with sharing the right of way with automobile traffic, bicyclists and pedestrians. No easy task when you look at how that right of way, at least in the central city, is already at capacity. When I think of adding rail lines and rail cars to that existing right of way, the image that comes to my mind is not pretty. What comes to my mind is a relatively slow, cumbersome and underused rail system with great potential for underperforming (just like the Red Line).
2. Average speed and top speed are much greater with a subway; therefore people actually get where they're going much quicker. Top subway speeds vary, depending upon the condition and layout of the track, among other things, but 50 mph is common. After

taking into account the station stops, together with accelerating and braking variables, my guess is that you're looking at somewhere around 25 to 30 mph below grade, vs maybe 10 mph at grade.

3. Maximum ridership capacity becomes much greater when you go underground, due to a combination of the greater speeds and lack of conflict with other forms of transportation, plus the fact that longer platform lengths and train lengths are easier to accommodate. If ridership grows, you can just add more train cars and increase frequency without impacting any of the folks trying to get around Austin in their cars.
4. The system is much less disruptive of neighborhoods and of all kinds of human activity taking place above ground, both during construction and after it's built. Even the stations are virtually undetectable, and the tracks and subway cars might as well not be there at all. Not so with trains and train tracks at grade.
5. Location of transit stops is far more flexible, so they can be constructed where they make the most sense in relation to population density, popular destinations, etc. Above ground, we're often terribly limited where we can build a station, and in most cases, terribly limited as to the length of the platforms, and therefore, the length of the trains they can serve. A subway, to be blunt, can be rational in its design.
6. Subways are safer. There's no conflict with cars, bicycles or pedestrians. There are no rail crossings. The current Austin plan includes a significant number of rail crossings. Think about all those cars dealing with all of those rail crossings getting into, out of, and around downtown during rush hour. Just 11 months ago we had a fatal accident involving a collision of an SUV with the low capacity, low frequency Red Line. A higher capacity expansion will unfortunately lead to more of the same. At grade rail lines are generally completely open and accessible to children, intoxicated adults, and others who can and will eventually wander into harm's way.

We've talked a lot about horizontal alignment for a very long time, and there is still no consensus because, at a gut level, perhaps a subconscious level, I think we have a bad feeling that this project, as currently designed, could make things worse instead of better – at least in the downtown area where it's needed first, and that it might not have the capability of making a major improvement in our traffic congestion on MoPac and I35 due to the currently planned system's limited capacity (more on that in a moment).

What about, instead of debating over a very limited number of routes horizontally, and ignoring our own anxiety about the ultimate benefits of the project vs. its cost, we look instead at a change in vertical alignment, where the flexibility over where to run the trains is far greater and where we know for certain that we can move significant numbers of people around town, and into and out of downtown?

(Note: a lot of the same considerations applicable to subways also, in my view, dictate that we elevate some portions of the railway rather than allowing it to run at grade, but I won't elaborate here

on that part of the discussion. In addition, let me be clear that I'm not necessarily advocating against placing a portion of the system at grade – but only where that is the logical choice.)

The only answer that has been offered as a significant obstacle to subway construction is cost; in fact the city in the early stages of this process “determined” that placing the system below grade would cost at least 4 times as much as building it at grade. That determination does not appear to be accurate.

Let me explain.

The current budget for urban rail is \$100 million per mile (\$550 million for 5.5 miles of track).

In comparison, for the Waller Creek improvement project, the entire cost of the tunneling portion of the project (just over a mile) is estimated to be \$106 Million. The diameter of the boring machine for the Waller Creek project is 26 feet; a dual rail subway tunnel only requires a machine with about a 24 foot diameter. Thus we've got a reasonable basis for projecting the cost of additional tunnels right here in Austin. (One of the biggest variables in cost per mile for subway tunnels is the type of material that is being bored through; now, because of the Waller project, we don't have to guess. It turns out that our local limestone material is virtually the perfect material through which to run these massive boring machines – not too soft, not too hard – the Goldilocks scenario, if you will.)

For further context, I have included [here](#) a link to a Wikipedia article on the Canada Line, completed in Vancouver in August 2009. Vancouver is a city about the same size as Austin, one that everyone seems to like, a city that is very similar in culture to Austin, very environmentally activist, and a city that I promoted publicly and frequently over the last few years in the course of our comprehensive plan process as a city we ought to be looking to as a role model. The Canada line was about 50% tunnel, 40% elevated and 10% at grade or on bridges. It cost a total of \$2 Billion, was more than twice as long as Phase I of our proposed system, and cost an average of \$167 Million per mile (remembering that almost all of the system was built either below grade or above grade). Remember, these are actual numbers, not future estimates. The project was completed in only 46 months, 3 ½ months ahead of schedule, and within budget.



Look at the Canada line in comparison to what Austin has done so far in terms of rail transit (i.e., the 32-mile “Red Line” connecting Leander with the southeast corner of downtown). In the **first full month** of operations, the 11.9-mile Canada line was achieving a ridership of 83,000 boardings a day; by February of 2011, that figure was up to 110,000 boardings a day, and by the fall of 2012 had reached 138,000 per day. In contrast Austin’s Red Line is at capacity during rush hour and sees only 2,000 boardings per day. The “per passenger per day” cost comparison is striking: \$14,500 for the Canada line vs. \$60,000 for the Austin Red line. Hmmm . . . (and I’m told that the Red line system and its alignment was chosen because it was the “economical” alternative and didn’t require much in the way of construction). It was to be a “demonstration” line, but I’m afraid the only thing it demonstrated was how NOT to do rail.

If this weren’t bad enough, look at what Austin is projecting for ridership in the future for its current “urban rail” plan. After spending \$550 million for Phase 1, the projection is for 9,000 boardings/day (that official estimate used to be 7,000 for essentially the same route – a cynic might ask what changed, but since I’m completely naïve, I won’t). And for the entire 16.5 mile project (and a total cost that will undoubtedly be in the range of \$2 billion (same as the total actual cost for the entire Canada line), which would include an extension out to the airport, the ENTIRE ridership in 2030 is only projected to be 27,000 boardings/day. It’s almost like we’re TRYING to duplicate the disaster that was and is the Red line. How can 2 cities as similar as Austin and Vancouver take the same \$2 billion and get such vastly different results? 150,000 boardings/day for Vancouver vs. 27,000 boardings/day for Austin. Folks, this doesn’t pass the smell test. Why should we have to spend 5 times as much per passenger as Vancouver? We can and must do better - much better.

And I’m not, by any means, the only person who thinks so. The city’s plan was just analyzed by a panel of 6 out-of-town rail experts from places like Dallas and Salt Lake City. Their reaction was not enthusiastic, according to a report on ynn.com and other objective observers.



In contrast, Vancouver has been so pleased with the results of the Canada line and the rest of its rail system that it has recently started another 7 mile expansion called the Evergreen line that will be in service by 2016. This new line appears to be about 30% at grade, 20% below grade, and 50% elevated. The \$1.4 billion price tag includes a vehicle storage and light maintenance facility, so the cost of the actual route expansion is something significantly less than \$200 million per mile.

Cities' satisfaction with their subways is not limited to Vancouver. There are 13 American cities with subways; and almost all of them have expanded their systems just in the years since 2000. There must be some rational behavior involved in those major expansion decisions. In contrast, other cities' experiences with "at grade only" rail have been mixed, at best. (A colleague of mine in Houston refers to Houston's rail system (which has no subway element) as "Houston's toy train". In Dallas, despite many challenges and much opposition over time, the rail system has continued to grow. One small section of the system has been placed below grade already, and a former Dallas city council member told me that another downtown line is now being considered, and that it will HAVE to be underground. Rail at grade does cause significant degradation of the performance of busy downtown intersections, and at some point actually will cause those intersections to fail; i.e. gridlock (which as most of you know already occurs on some days during rush hour)).

To place the central part of Austin's system below grade would

- a. Allow us to permanently increase our ridership capacity to almost whatever we need it to be, without competing with cars, bikes, motorcycles and pedestrians for street and sidewalk space;
- b. Significantly decrease impacts on neighborhoods both during construction and permanently. I'm sure most of you have ridden the metro in DC and the subway in NY. Sometimes you have to work to see the station entrances even when you're looking for them.
- c. Constitute the most environmentally friendly option, as it would create the least congestion at street level.
- d. Constitute the safest option, as there would be no rail crossings, and no conflict between trains, other modes of transportation, and pedestrians.
- e. Potentially gain political support from a significant percentage of the so-called "road warriors" (not my term), who are not only legitimately concerned about the cost of various transportation options (including the current rail plan), but who are concerned about the limited capacity of our current streets and roadways; we may well find that it is much easier to gain widespread public support for a below-grade system, even at a cost that is somewhat more than the cost for the current plan, for the simple reason that it actually works.

Chris Leinberger and Calvin Gladney, both of whom are highly respected urban planners on the national stage, and who spoke here in Austin within the last couple of months, strongly advocated the building of new subways. These are not local yokels like me; they are experienced, thoughtful experts (Mr. Leinberger being with the Brookings Institute and voted as one of the top 100 minds in the field of urban planning, while Mr. Gladney is an experienced urban developer and cum laude graduate of Harvard Law School).

To change gears a bit before ending this little diatribe: I want to be very clear that placing a portion of our future rail system underground is necessary, but not sufficient. There is another VERY LARGE piece to solving our mobility problem in this town. That piece is based on a proposition that is universally true and not subject to debate: Rail transit and dense development must proceed together. You can't have successful rail transit without density.



This universal truism presents a problem when it comes to Austin. We must get our act together, and begin encouraging density and population growth within the central city, rather than resisting it at every turn. We must end the fantasy that we can somehow superimpose a low-density single-family environment on Austin's central city, and still successfully operate as a major urban population center. It clearly can't be done, and yet we blithely continue, day after day, to act as if that is a realistic goal.

Don't believe me? Look at any central city neighborhood plan. One of the first and most important objectives of the plan will be to PRESERVE THE EXISTING CHARACTER OF THE NEIGHBORHOOD. Well, while this sounds like a reasonable goal, we have to deal with what this would mean in real life.

I was gratified to hear Mayor Leffingwell's "State of the City" speech at RECA's annual event on February 5. His major theme for the speech was that we MUST EMBRACE CHANGE, not resist it. Change is part of life, and if a city doesn't grow and change, it stagnates and often dies. But for so long here in

Austin a very vocal and politically influential portion of the population has, in general, resisted growth and change. That has to stop. Period. We cannot successfully and gracefully evolve into a major city and, at the same time, insist that we stay essentially the same as we were 70 and 80 years ago.

Austin says often that it wants to be a world class city. We need a world class transportation system for that goal to be achieved, and for that transportation system to be world class, we need to put the central part of the system underground. We need to significantly raise our own standards for urban rail, use those higher standards and the resulting much higher performance of the system to get it approved by voters, and then get the thing built. We've already agreed as a community to build tunnels for other purposes, both downtown (the Waller Creek project) and out in the western portions of the community (we're using smaller, but similar, boring machines to put miles of water mains underground in conjunction with the new water treatment plant). It shouldn't be a big deal for the community to agree to build other tunnels to move people around the city; it's the only solution that will actually make a significant improvement in our traffic problems.

An expansion of our rail system is probably inevitable. And even for those who are generally not fans, if we're inevitably going to expand our rail system, shouldn't we do it the right way? Shouldn't we do it in a way that actually provides significant ridership capacity, and hence a significant benefit to the city? Shouldn't we put the central portion of that expansion below grade where it belongs – where it can function at the highest possible capacity, highest level of safety, and highest possible cost-effectiveness? If we're going to spend a billion or two dollars, shouldn't we get a system that can move 150,000 or so people around the city instead of 27,000?

Bye for now.

Kindest regards,  
Frank

## **Coldwell Banker**

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### Residential

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## Links – City of Austin Real Estate/Political Sites

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[Imagine Austin](#)

[Downtown Austin Plan](#)

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## Until Next Time

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Thanks again for subscribing. If you found this newsletter helpful, please share it with your friends and colleagues who might want to receive it. I look forward to assisting you with your real estate needs, and if you have a question or would like further information on any real estate issue, please feel free to contact me. I'll be happy to help.

Kindest regards,  
Frank

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