

# Economic Recommendations for Austin

By Michael Nahas

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The [Austin metro GDP](#) is \$193 billion. That's larger than the entire country of Ukraine. But Austin's economy currently has no one dedicated to monitoring and correcting it. Over the last decade, the City of Austin's land-use policy caused [house prices to increase 67% more than the nationwide index](#). This denied hundreds of thousands of middle-class families their own house in Austin. It caused homelessness to increase. And, currently, 14% of City jobs are unfilled. Not managing our local economy has damaged our happiness, fairness, and good governance.

I have been monitoring Austin's economy. This document contains policy recommendations for the City of Austin to improve its economy. I am only recommending them on economic grounds. Any policy needs to also be evaluated on fairness, practical, and political grounds and I am not an expert in those areas.

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*Disclosure:* Michael Nahas currently lives off his savings, earned as a quantitative stock trader. He does not expect to benefit financially from any of these recommendations, except in his rent. (Michael Nahas rents in Austin. As does his brother. His parents and one sister own and live in houses in Austin. His other sister owns and lives in a house in Travis County. None owns investment property.)

# Keep doing what has made Austin successful

Austin has been one of the best economies in the country for good reasons. We should not forget what we're doing right and we should keep an eye out for things that may wreck it.

- **Dams stop Austin from flooding (kinda).** Austin has been repeatedly hit by deadly floods. The Great Granite Dam was built to stop them in 1890. It failed horribly in 1900. LBJ helped build dams in the 1940's and they have been mostly successful at stopping floods. But [we still flood](#). For continued success: prepare for future floods and monitor increased vulnerability due to climate change.
- **Air conditioning makes Austin cooler.** A major trend in American cities is that southern ones are growing faster than northern ones. This is because air conditioning made hot areas more pleasant to live in. For continued success: make our electrical grid more reliable and monitor increased vulnerability due to climate change.
- **The shipping container and the internet make Austin's imports and exports cheap.** Historically, large cities had shipping ports, either on the ocean or a major navigable river. Austin has no port. Luckily, innovation has made transport of goods and information cheap. For continued success: keep good highways to Houston's port and along I-35.
- **Energy is cheap in Austin.** Until recently, energy meant oil and gas. And Austin was near major sources in Texas and the Gulf. Increasingly, energy means solar and wind. And Austin is near major sources in west Texas. For continued success: make our electrical grid more reliable and research city-scale power storage.
- **Austin is near Mexico.** Mexico is nearby and offers cheap labor. We get healthy vegetables for cheap. Austin also does high-salary design work that gets built by low-salary factories in Mexico. That wage difference has also caused 100,000 undocumented immigrants to move here. For continued success: give all our residents an equal opportunity to get an education, get a job, start a business, etc..
- **Texas has no income tax.** Rich people are more likely to move to Texas. And people tend to invest more with people they know. This policy helps our economic growth, but also puts more taxes on the middle-class and poor. For continued success: nothing.
- **Austin is the state capital.** Tax dollars are collected from all over Texas and spent in Austin. For continued success: don't let disputes with the state government grow too large.
- **Austin receives 10,000+ new educated adults each year.** Austin is home to UT-Austin and other universities. Lots of fresh graduates make it easy for employers to find smart high-skill workers. For continued success: foster new universities, like Acton

School of Business and University of Austin. Foster education leading to high-salary jobs.

- **Austin excels at research and entrepreneurship.** Economic growth comes from creating new ideas and getting people to use them. New ideas came from research by UT-Austin, MCC, and SEMATECH. Austin's new businesses are helped by Capital Factory, UT-Austin's McCombs, and the Acton School of Business. For continued success: pursue the CHIPS Act funding. Keep costs low and make it easy to start a business.
- **Austin bet on the right growth industry: computer chips and software.** Austin's economy is no longer driven by the state government and the University of Texas. The computer industry has done amazingly well over the last 50 years. But betting on a single industry is risky. AI will bring dramatic changes. Biotech or drones or batteries or something else may drive economic growth. For continued success: Austin should foster research and startups in diverse growing industries.
- **Austin has a single, dense center.** Economic growth comes from companies with new ideas and new ideas originate from the interaction of people. Cities with single, dense centers have the most interactions and most economic growth. For continued success: encourage innovators to work downtown and make it fast, easy, and cheap to travel to downtown.
- **Austin is accepting.** Most new ideas are not invented locally — they come from other places. As much as we joke about it, Austin accepts people from the northeast and California. Immigrants from Michigan are now exporting "Detroit-style" pizza from Austin! We accept people from Mexico, India, China, and a plethora of cultures. For continued success: foster acceptance and foster the interactions of all our residents.
- **Austin is attractive.** We have music. We have a clean river. We have parks. We have weird houses decorated with hubcaps and stained glass. We have independent movie directors. People visit Austin and stay. It is easy to convince a top-notch recruit to move here. For continued success: fix traffic, graffiti, and homelessness.
- **Austin had relatively low housing costs, until recently.** Austin has benefitted from other cities' mistakes. California is home to many high-growth companies, but [housing in the Bay Area has been 90% more expensive than the national average](#) and [Silicon Valley is even worse](#). Many of those companies expanded into Austin, to find homes for their employees. If California fixes its housing market, Austin will suffer. (Sadly, ethics prevents us from sabotaging those efforts.) Austin has seen [housing increase 14% since 2011](#). For continued success: reverse that trend.

Those are the things Austin has done right. And hopefully, we'll keep doing right.

Next, I'll cover a few topics where I think we can improve.

# Reduce the price of a house by allowing smaller lots

In economics, housing is huge. It is the largest thing in a household's budget. It is 1/6th of all spending. Austin's housing market is not running well: houses are expensive. [Zillow's Austin Housing Index](#) is at \$567,718. That's more than twice [Houston's](#), a city 3 times our size.

The reason houses are expensive is the land. [A cheap lot in Austin is \\$149,000](#). [In Houston, lots are available for \\$22,500](#).

The City of Austin from 2012 to 2022 saw the number of lots *decrease* by 3%, while the population of the metro area increased 33%. And prices predictably skyrocketed. The City of Austin currently has about 180,000 lots for 1,000,000 households in the metro area. That is, **we have lots for 18% of families. 82% must go without.**

The solution is easy: split larger lots into smaller ones. We need to:

- **get rid of the minimum lot size**, and
- **make it easy to split lots.**

A minimum lot size prevents many middle-income households from outbidding a single rich household for land. **Under our current law, those who can afford a lot get more land at a lower price, while others go without land at all. It is a subsidy for the rich.**

The minimum lot size currently serves many roles in our code. We use it for limiting traffic and parking on streets, limiting demand on other infrastructure, and more. As part of eliminating the minimum lot size law, we will need to craft different regulations to handle those goals.

Changing the minimum lot size is not sufficient. Many other existing laws (curb requirements, setbacks, etc.) prevent lots from being split or prevent a small lot from being used. Those laws need to be changed to be more permissive.

Creating more lots will dramatically lower housing costs for hundreds of thousands of families. They will benefit from lower taxes, lower insurance costs, and forced savings. Those who move out of apartments will get the freedom of building or customizing the home they want.

And there's more! The change will reduce travel distances for residents. More dense housing will support more nearby businesses, such as neighborhood restaurants. And, it reduces income inequality.

On May 4th, 2023, City Council passed a [resolution to make it easier to split lots](#). On July 20th, 2023, City Council passed [a resolution to decrease the minimum lot size](#) to "2,500 square feet or less" and "allow at least three units per lot". These can make a dramatic difference and I hope the City Manager's office will expedite the process to turn these resolutions into ordinances.

# Prevent homelessness by allowing low-income apartments

Homelessness is a worsening problem in Austin. [ECHO estimates that the homeless increased from 3,500 to 5,500 over the last year.](#)

[The strongest correlation for homelessness in a city is a high market-rate rent.](#) That's easy to understand: **people become homeless when they cannot afford rent.** Even if someone cannot afford their own place and is helped by a relative, a charity or the government, it is easier for helpers to help when the rent is cheap.

**Unfortunately, Austin bans extremely low-cost apartments.** By “extremely low-cost apartments”, I mean apartments targeted at someone on Federal disability, who receives \$914 per month. If the disabled person is spending half their income on housing and transportation and their transportation is a monthly CapMetro bus pass, that leaves \$416 per month to spend on rent. And Austin bans building market-rate apartments that operate at that rent.

Consider a potential landlord who wants to build a small apartment building to serve those customers. Based on some rough calculations<sup>1</sup>, a 24,150 sqft building requires an income of \$112,492 per month. If each resident pays \$416 per month, that means their apartment is 89 sqft. These units would violate Austin's minimum apartment size, which requires 220 sqft of clear space plus room for appliances, counters, and a bathroom. This minimum apartment size prevents many poor people from outbidding a middle-income person for indoor space.

Moreover, that small apartment building would have 270 residents on 1.008 acres of land, which calculates to 268 units per acre. Almost all land zoned for apartments doesn't allow that many units per acre. MF-1 thru MF-5 have a maximum number of 54 units per acre. MF-6 does allow an unlimited number of units per acre, but there are just 42 lots zoned MF-6.

In order for the free market to create cheap apartments, it must be legal. We need to:

- get rid of the minimum apartment size, and
- get rid of unit-per-acre limits in MF zones

The City of Austin passed [a Micro Units ordinance in 2014](#), which reduced requirements, like parking, on small units. This exception was restricted to a small area of the city. Ironically, the ordinance doesn't allow the small units in zone MF-6, where it would be most useful.

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<sup>1</sup> For an 24,150 sqft apartment building, [a report commissioned by the City of Austin](#) says it costs \$4.3M to build the building and an average of another \$3.7M for land, design, and fees. At the [current 6.96% mortgage rate](#) (an underestimate for a commercial property), the monthly mortgage payment is \$46,872. If we assume maintenance and operating costs are equal to the mortgage payment, and add a 20% margin for the investor's risk, then the apartment operator's income must be at least \$112,492 per month.

# House people quickly with factory-built homes and eviction insurance

Austin needs more housing in a short amount of time. There are two good ways to make more housing available quickly.

The first is to use mass-production. We should:

- **Allow manufactured and mobile homes on most land**

Austin currently only has 669 lots zoned MH (Mobile Home), out of over 200,000 lots total. Manufactured and mobile housing might not last as long as a site-built house, but they cost a lot less. The price-per-year of housing is acceptable.

The other way to make more housing available quickly is to lower the vacancy rate. Recently, [8.0% of apartments were vacant](#). Eviction insurance for landlords can help lower that.

Landlords do not want vacant apartments. They want to rent them and make money. But, being a landlord is a risky business. The landlord is giving someone an apartment valued at over \$100,000, in return for a monthly payment of \$1,000 to \$2,000. The landlord risks a lot, for a small reward. The tenant can damage the apartment, not pay rent, or make trouble for the neighbors or landlord. And these risks occur more often in lower-end apartment buildings.

One way to lower vacancy is to help landlords offer apartments to more risky applicants. That is, to provide insurance to the landlords: if they are financially hurt by a resident, the insurance will compensate them for it. An insurance contract is written to pay out on an event and the clearest event to use is eviction.

We should:

- **Insure landlords against eviction of their tenants**

Rolling out eviction insurance would require talking to landlords and insurance providers to look at what insurance coverage landlords already have. It would also require a careful look at the eviction process. Providing a (small) incentive to evict might have large consequences on landlord behavior, the court system, and even payment rates by tenants.

Eviction insurance for landlords would use rental housing more efficiently, decrease low-end rents, and reduce homelessness.

# Fill empty commercial buildings

Remote work has made many workers happier, but it has left many office buildings empty. [Kastle Systems reports that Austin's offices are used 32% less than before the pandemic.](#)

**Empty buildings are awful for a city.** The landlords go bankrupt. Nearby businesses, like those providing lunches to workers, suffer horribly. With fewer people on the street, crime increases. Thieves strip the buildings, making them even less useful. Homeless squat in buildings.

The City needs to respond quickly. First, it should try to identify the worst-off buildings and resolve bankruptcies quickly.

Second, it needs to find a new use for these buildings or tear them down. A flat parking lot is a better use of the land than a derelict building.

The existing building could be renovated for a new use, but **it is difficult to predict the new uses of these buildings.** Austin needs housing, so they probably will become residential, but it will probably serve a niche market and not become generic apartments.

We can learn from history. When the garment industry left New York City, SoHo was left with empty industrial buildings. Their awkward spaces became apartments for a very particular community: artists. The few walls and high ceilings appealed to artists, because it became an ideal workspace for sculpture and large paintings. SoHo is now home to many art galleries and the old industrial neighborhood now attracts the richest shoppers in the world.

Since we do not know what these empty buildings will be used for and, if they are used for housing, what niche communities will want to live there, we should:

- Allow office buildings to change zoning
- Give owners variances to experiment and find what works

# Lower the cost of housing by removing constraints on internal area

The City of Austin's Land Development Code has many restrictions. Many are for safety, environmental protection, infrastructure allocation, and aesthetics. But some seem to have no purpose at all. **The limitations on internal area serve no purpose and drive up the cost of housing.**

The Floor-to-Area-Ratio ("FAR") limits the internal area of a building, based on the area of the lot. This is not a safety regulation. It is not an environmental regulation. If it is a regulation for allocating infrastructure, certainly there are better targeted regulations that can be written. It is not an aesthetic regulation. (A hollow building with a courtyard in the middle will fit the regulation and have the same visible shape as a non-hollow building.)

The FAR regulation does have an economic impact. To have more internal area, a purchaser must buy more land. Land is expensive in Austin. And regulations like FAR contribute to its high price. **Austin needs to break the connection between the area of the land and the housing built on it.**

The Land Development Code also limits the height of buildings. This has a similar economic impact. These regulations may have some aesthetic components, so other experts must be consulted. But cities benefit from having a large number of people able to interact with each other, so we should allow as tall a building as possible and, especially, near downtown.

We should:

- Get rid of "Maximum FAR" limits
- Reconsider maximum height limits

[On June 8, 2023, the City Council passed a resolution to re-evaluate the Compatibility rules.](#) I hope the City Manager's office will expedite the process to turn these resolutions into ordinances.

# Reduce congestion with Electronic Road Allocation

Austin's roads are our biggest piece of infrastructure. We should use them as efficiently as possible. And right now we are not: Austin's roads are congested. In 2019, INRIX measured the cost to each driver at \$1,021 per year and a total of \$1 billion annually.

The true cost is probably much higher. INRIX's cost is just the time sitting in traffic. It does not include the cost of people leaving early or not traveling because of traffic. Nor the extra fuel, air pollution, engine damage, and road damage from using vehicles and roads inefficiently.

**TxDOT plans to expand I-35, but that will not end congestion.** I-35 will carry more cars and trucks, but the drivers will still take a long time to get to their destination. For those familiar with computer networks, expanding I-35 will increase our "bandwidth", not lower our "latency".

**There is only one known cure to congestion and that's Electronic Road Allocation.** That is, using a computer system to decide who gets to use the road at a given time. All of the cities that do this allocate the road by assigning a price to a road and letting anyone buy access. Thus, it is more commonly known as "congestion pricing".

The most advanced system is in Singapore. Each section of road has a changing price, similar to the "managed lanes" on MoPaC. Singapore's systems adjust the price to make sure the road never has too many cars at one. During less busy times, the road is free.

Singapore's system cost \$1.2B. It's less than 1/4th the cost of the I-35 expansion. And less than 1/4th the cost of Project Connect. And it solved congestion on every major road. **If such a system solved all of Austin's congestion, it would pay for itself in 15 months.**

Moreover, we have [3 autonomous car companies operating in Austin](#). Since their vehicles can drive on our roads for free, for them, driving is cheaper than parking. If they become popular, we will have worse congestion. Electronic road allocation is the only viable way to prevent this.

There are political considerations to implementing electronic road allocation. Drivers will be fearful about the unknown dollar cost, even if the plan will save them time. The poorest drivers will be concerned about being able to drive, even though most will just switch to driving at a different time of day. (Under electronic road allocation, the roads will be more efficient, so they will actually carry *more* traffic. Only small shifts in time are necessary.) Companies and individuals that we currently subsidize with free roads will fight being charged for their use. Lastly, the roads are controlled by many different levels of government, so getting agreement will be difficult. But cities that implement electronic road allocation, like it.

[UT-Austin has an expert on electronic road allocation, Kara Kockelman](#). Austin should:

- Learn more about Electronic Road Allocation
- Explore policies with CTRMA and CAMPO

# Prepare for the future with a drones commission

If any one technology may dramatically change cities, it is drones. They are currently used for surveying, news, and entertainment. There are startups working on using them for food delivery. Other startups are pursuing autonomous drone taxis, to ferry people quickly across a crowded city. Austin needs to start preparing for drones.

Drones will impact our city in *many* ways:

- Resource allocation
  - If 2 drones want to fly in the same airspace, which one gets to?
  - Do we ban flying over some airspace? (E.g., stadiums? Hippie Hollow?)
- Noise
- Environmental effects
  - Night sky pollution
  - Bird population effects
- Collisions
  - Drone with drone collision
  - Drone with bird collision
  - Drone with helicopter collision
  - Drone with building/ground collision
- Emergencies
  - Drones having a failure and needing to emergency land
  - Emergency helicopters need drones to clear airspace
  - Drones responding to emergencies

As seen with ride hailing apps, scooter apps, and AirBnB, startups will push the limits of the law and law enforcement. We can expect the same with drones. But, unlike those other areas, drones have the potential to crash into emergency helicopters, highway traffic, and each other. This “disruptive technology” could be very disruptive.

This technology also has a lot of economic potential. If drones lower the cost of food delivery by \$5, Austinites will eat from their favorite restaurants much more often. Austinites will get their Amazon loot in minutes, rather than days. Drone taxis can dramatically increase transportation capacity without the need to widen roads.

Austin should gather and maintain a team of experts on drones. The team will need representatives from the startup community. The team will also need experts on the other aspects of drones: legality, law enforcement, air traffic control (known as “UTM”), and anything else. The team will need connections to helicopter pilots who are currently using our airspace.

We should:

- **Create a Board or Commission to manage the airspace of Austin and make recommendations to City Council**

# Improve equity by connecting people to transactional infrastructure

Cities are all about infrastructure. We have roads, bridges, airports, sewage systems, garbage trucks, and all sorts of big physical *things*. But there is another infrastructure for cities. It is the infrastructure that allows transactions to happen between people. Transactions require identification cards, bank cards, tax identifiers, email addresses, and delivery addresses.

It hurts everyone when residents are not connected to transactional infrastructure. Many businesses are going “credit card only” to prevent the costs (and theft) that comes from dealing with cash. But that means residents without a credit or debit card are not able to purchase. This hurts both the people who want to buy and the business that wants to sell.

Most people’s biggest transaction is to “sell their labor”, which is more commonly expressed as “get a job”. But that’s not legally possible without a tax identifier, like a Social Security Number (SSN). Not having an SSN prevents many people from being hired. Some people get hired illegally without it, but that black-market contract has none of the legal protections we want to give workers. And that work doesn’t pay the taxes that keep government running.

Other transactions are hindered by not having an email address. Or a physical address to receive a delivery. Or a phone number for coordination. Some online accounts now require a smartphone for “two factor authentication”. Without an ID, it is hard to buy insurance or buy on credit and credit is the most common way to car and home ownership. I might include “speaking a common language” and “Google Translate” as transactional infrastructure.

Austin’s metro area has about 100,000 illegal immigrants, who are not eligible for an SSN. It has at least over 5,500 homeless, who do not have a physical address. [17% probably do not have a credit or debit card](#). These people cannot connect to the transactional infrastructure, which hurts the economy and, because these people tend to be poorer than average, it increases inequality.

We should:

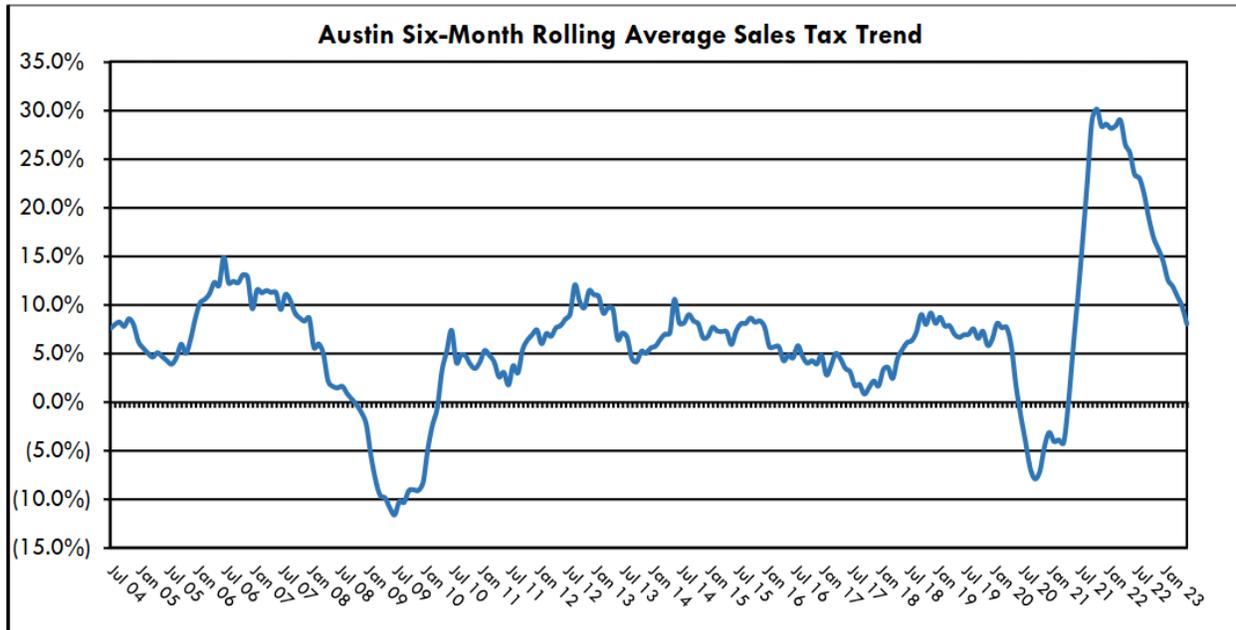
- Survey residents on access to transactional infrastructure
- Survey businesses and government departments on costs due to customers not having transactional infrastructure
- Create programs to extend transactional infrastructure to residents

The Austin Public Library is issuing [“Enhanced Library Cards” which serve as ID](#). That’s a start.

# Stabilize City finances by hedging tax revenue

One goal of finance is to match income to expenditures. The City's income is not steady, especially the sales tax. But our expenditures are, in general, steady. We should use hedging to help income match expenditures, avoiding tight budgets in the future.

Tax revenue, especially sales tax revenue, changes from year to year. This figure is from page 54 of the [proposed budget for FY2024](#).



As you can see, the income from sales tax is very risky.

“Hedging” is the process of balancing risks, often by selling the risk onto someone else. There are many investors who would be willing to take on most of our risk, in return for a fee.

For example, Austin could auction 80% of next year's sales tax revenue, in return for a fixed amount to be paid next year. (Austin cannot sell 100% of the revenue, because investors would question if Austin would make any effort to collect the tax.)

Not only would Austin benefit from steadier revenue, the bids for the sales tax revenue would be a more accurate prediction of Austin's economy than the City could get from other sources.

Austin should:

- Explore hedging sales tax revenue

Austin could look at hedging other revenue. We could also explore hedging expenditures, which increase after some events, like natural disasters.

# Grow our economy by attracting high-income fully-remote workers

The most valued workers in a city are the ones with high-income that produce export goods, where “export” refers to products sold outside the city boundaries. These exports are important to the economy, because it is how a city pays for imports, which are everything it doesn’t produce itself. With the advent of fully-remote work, there are many high-income export-producing workers that can be lured to any city in the world. We should lure them to Austin.

There are risks. These fully-remote workers are mobile, so this income is very similar to tourist income: it can disappear quickly. Other cities will be competing for these workers, and they may be willing to go further than Austin to win them.

Another risk is that these workers may currently be concentrated in a few industries where Austin is already invested. Like, software and computer technology. So, this growth may not diversify our risk.

We should:

- Advertise Austin as a place to do fully-remote work
- Survey fully-remote workers, locally and worldwide
- Create governmental, non-profit, and for-profit organizations to serve the needs of fully-remote workers

Austin has many advantages over other cities and, by a small outlay and effort, we can establish ourselves as a good place for remote work. And that should pay off handsomely for a long time.

# Grow our economy by helping residents maximize their Inflation Reduction Act tax credits

The federal government is giving money away. We should help our residents grab as much as possible.

The Inflation Reduction Act is badly named. It is the Federal government's Climate Change legislation. [It contains about \\$0.7 to \\$1.2 trillion in incentives](#) to help homes and businesses to lower carbon-dioxide production.

There are large tax credits for rooftop solar, electric water heaters, heat pumps, and other major house upgrades. Austinites can upgrade their houses, while being environmental and saving money. And it could mean \$4 to \$7 billion for the local economy.

There are certain restrictions and complications. Thus, the City of Austin can play a role to inform our residents of these and make it easier for them to apply.

We should:

- Inform building owners of IRA tax credits
- Make it easy to comply and apply for these valuable tax credits

# Invest in Austin with healthcare and education for poor children, aged 0 to 4 years old

[Economists examined 133 different government policies to find which had the best return-on-investment.](#) Three groups of policies stood out. These not only had a positive return on investment, but such a large return that the programs paid for themselves with higher taxes collected in the future!

Those three areas with exceptional returns were:

- Education for poor 0 to 4 years olds
- Healthcare for poor 0 to 4 year olds
- Supporting college education for those capable, but unlikely to attend for other reasons

I don't think that City government is the best government to push college education, but I think we have a role to play for 0 to 4 year olds.

[C.M. Fuentes and others are talking about childcare, from a working mother's perspective.](#) NPR's Planet Money did [a wonderful episode called "Baby's First Market Failure"](#) that explains the causes behind childcare's high cost. Most are unchangeable. And the situation is not helped, in Austin, by our high price for housing.

But childcare might be an economically beneficial program, if we consider it as an investment in poor children. **Spending money at the start of someone's life is going to have the largest effect because a little money goes a long way and the recipients have the entirety of their life to reap the benefits.** The economists observed that the recipients had reduced spending on healthcare and remedial education. And they were more likely to earn enough to pay taxes.

We should:

- Educate poor 0 to 4 year olds
- Provide healthcare to poor 0 to 4 year olds

This is worth doing on its own. It has a huge effect on the most deserving. We might find additional funding by asking state and federal governments to reward Austin if we lower the spending by their benefits programs and increase the taxes they receive.

[GiveWell, a data-focused charity, has tried to fund early-childhood education programs in the past.](#) They are probably willing to do it, for programs that exactly duplicate the programs identified by the economists as having exceptional returns. We should ask them to help fund education for poor 0-4 year olds.

We can reduce the uncertainty to the City of Austin by funding it through [social impact bonds](#).

# Keep the electricity on, by forcing large Austin Power customers to pay the minute-by-minute market rate for power

During [Snowmageddon](#), Austin Power was forced to lower the power it took from the grid. That is, Austin had an electricity shortage. The usual way that a market economy deals with a shortage is to raise prices. Customers will demand less electricity at higher prices. But Austin Power didn't have a way to change customers' prices on a minute-by-minute basis.

Austin Power needs a way to do that. It will become even more important as we move to solar and wind, because power is cheaper during sunny and windy times.

It is unreasonable to expect the large number of residential customers to change their equipment and behavior. We should not expect them to decide how much power to use on a minute-by-minute basis. But it makes sense for large commercial customers.

We should:

- **Charge large commercial electricity users on a minute-by-minute basis to balance supply constraints**

I have heard that Austin Power started a program similar to this, but do not know of its current progress.

# Fight loneliness with a socialization policy

One of the constant enemies of cities has been disease. With many potential infectees in one place, diseases spread easily. So, one of humanity's greatest investments has been in Public Health Departments which fight disease before we get sick. But when I asked a doctor about his top public health issue, he didn't mention a virus or bacteria. He said "loneliness".

[The Surgeon General has described loneliness as an "epidemic".](#)

The City has spaces for social interaction: parks, recreation centers, and libraries. The City already has programs to foster social interaction. Those may need to be modified to target and engage the lonely.

The City should also consider if it can foster social interaction digitally. This sounds oxymoronic, but many in-person interactions start online. There are social groups on [Meetup.com](#). Events are listed on [eventbrite.com](#), [do512.com](#), the Austin Chronicle website, and more.

I'm hesitant to recommend a specific policy. I am not a public health expert. But, as an economist, I can say that fewer social groups are listed on Meetup.com because the website charges each group. A potential policy would be to have the City of Austin negotiate a deal to pay Meetup.com a fixed fee and they make the service free for every group in Austin.

# Potentially improve health with an air quality survey

Since the 1800's, cities have realized how water carries disease and contributes to public health. But air quality is also very important.

[Around 60,000 deaths annually are caused by air pollution.](#)

A [recent study](#) showed that installing high-quality air filters in schools dramatically increased student performance.

We should:

- Use drones to map outdoor air quality in Austin
- Randomly sample indoor air quality in buildings

If we find air quality to be an issue, we can consider changing our laws.

[Bipolar ionizers have the potential to remove covid and other viruses from indoor air.](#) We should keep an eye on their testing and, if effective, consider requiring them in certain buildings.

## Other worthwhile economic policies:

There are many other policies that could have a significant economic impact on Austin. The list below briefly covers some more. If a City Council office or any non-profit has an interest in any of these, I am willing to talk or write more on any of these policy recommendations.

- Pursue money from the CHIPs Act
- Lower the time to create a business
- Ask designers of autonomous vehicles if Austin should redesign any roadways or intersections to make them safer
- Lower the cost of government by having each department pay the implied rent for their land/buildings
- Dramatically simplify the zoning code
- Planning Department should prioritize projects with the highest “profit density” =  $(\text{tax revenue} - \text{city costs}) / \text{land area}$
- Fight graffiti
- Either build a complete network of bike lanes or remove the few we have
- Either upgrade the Red Line capacity quickly or shut it down
- Reduce vehicle deaths with Vision Zero
- Update the price of street parking hour-by-hour, like San Francisco’s SF Park program
- Use drones and satellites to survey noise, pollution, graffiti, and building code violations
- Create a futures market for land value, allowing City and residents to hedge property tax
- Subsidize poor people, not “Affordable” housing

# Topics not addressed

There are multiple topics that fall under the heading of Urban Economics that I did not address.

*Education:* The wealthiest cities have a lot of college graduates. Austin is doing well in this regard and I didn't see any potential policies for the City of Austin that would improve that. Public K-12 education is a major source of inequality in America and an often-missed opportunity for improvement. But that is outside the City of Austin's control.

*Racial disparity:* Everyone should read rockstar economist Raj Chetty's [report on race in America](#). Black women earn similar incomes to those of white women, after adjusting for parents' household income. The dominant economic effect is on black men. They are affected by the neighborhood they grow up in (which tend to be lower-income than average), the prevalence of racial bias in the community, and the percentage of black fathers in the community. Chetty found that Native Americans were similar to blacks. Hispanic households had average incomes (so only slightly worse than white households), after adjusting for parents' household income. Asian families also did about average. (Asian immigrants and their second-generation children tended to earn above average incomes.) I have this knowledge about the problem, but it doesn't give me specific policy recommendations for the City. It would be interesting to identify the vulnerable neighborhoods for children in Austin and study if incarceration by law enforcement is contributing to a low percentage of black fathers in those neighborhoods.

*Gender disparity:* Women tend to earn less than men. When employed in the same job, the salary difference is about 7%. But women and men often go into different jobs and often have different levels of experience (since women often pause working after childbirth), so the average disparity is closer to 20%. While I know of certain policies that might be effective, I am not sure that the City of Austin is the best suited to implement them. One policy is to encourage younger women to enter high-paying college majors, like computer science. Another is Paycheck Transparency, which makes everyone's salary public knowledge. The final policy is teaching women to be better negotiators. (This had a noticeable effect on the hiring salary of female business school graduates.)

*Marriage market:* Cities are places where young horny adults pair up. And many go on to have children. I do not have any numbers on how Austin is doing in this regard. Nor do I have any specific policies to help.

# Conclusion

We should:

- **Employ economists to measure our economy and quality of life**

This final recommendation is self-serving, but I also think it is important. The City of Austin should employ economists to measure the local economy and the quality of life of its residents. Those economists should publish reports on how the economy is doing and make recommendations to City Council. I hope this report demonstrates the value of this proposal.

I would suggest that, if a permanent economist is hired, the position be under the City Auditor and report directly to City Council, rather than the City Manager. The economist should be judging how the City government is being run, not involved in running it.

An alternative to a permanent position, is to annually hire one of the top economists specializing in Urban Economics. By hiring a different outside economist each year, the City would receive a different perspective each time and the City Manager would not be able to game any particular metric used to measure the economy.

Still, a full-time employee can invest in gathering/processing specialized data, to invest in building connections to the business community, and in building communication networks to the wider community. Perhaps there is a role both for outside expertise and internal data gathering.