

AUSTIN BUSINESS JOURNAL

The front lines

Christopher Calnan on the rise in military-minded startups.

TECHFLASH, 10



COVER STORY

AUSTIN NEEDS A GUY LIKE THIS

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Nashville business leaders, including Joe Galante, have pulled together to help grow that city's \$9.7 billion music industry even larger. In Austin, meanwhile, the music sector is still waiting for the right person to help scale it up into a legitimate contender.

THE LIST THE BIGGEST BUYOUTS TO HIT THIS TOWN 16-17

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ARNOLD WELLS

Joe Pagone in front of the Hotel Van Zandt construction site on Rainey Street: 'I really sought after this role. It's something I really wanted.'

Another Van Zandt

BOUTIQUE HOTEL'S NEWLY HIRED GM FOCUSES ON MID-SUMMER OPENING

Joe Pagone had a hunch he'd eventually move west. He grew up on a horse ranch near Chicago, after all.

After graduating with a hospitality degree from Eastern Illinois University, Pagone stayed tethered to the Windy City, though he eventually landed in Baltimore as general manager of Hotel Monaco, one of the swanky brands among the Kimpton Hotel chain.

With a wife, two children and a third

on the way, however, Pagone longed for something more informal and family friendly. Texas, perhaps.

He discovered that JMI Realty was developing Hotel Van Zandt in Austin – which would be affiliated with the San Francisco-based Kimpton brand, where he'd learned the ropes.

"Austin's always been a city that I've been interested in living in," Pagone said. "I really sought after this role. It's something I really wanted."

He almost got more than he bargained for when he was hired in November. Pagone had just three weeks to make the move. The family landed in Circle C Ranch, which with a name like that might have seemed a bit like home.



LOYALTY IS NOT SOMETHING YOU TYPICALLY HEAR IN THE SAME SENTENCE AS BANK.

JAN'S TAKE

Viva Las Vegas: Austin retail sector out in force at conference

Wonder why it's been hard to buy an airline ticket to Las Vegas in the past week?

Well, it was that time of the year when everything new about the retail business was on display at Recon, the annual mass gathering May 17-20 sponsored by the International Council of Shopping Centers.

About 32,000 people were registered at the start of the conference, which was held at several venues but especially the Wynn Hotel. About 3,200 attendees were from Texas. Austin folks numbered about 300. The full program – not that anyone really goes for the presentations – includ-

ed plenty of discussions about the future of retail, given the impact of online sales. Recon, though, is more about networking – brokers, developers, retailers, investors, architects and tech companies with a real estate focus, for example.

It's not surprising that retail leasing company Retail Solutions had nearly 20 Austin-based representatives there. Local development heavyweight Endeavor Real Estate Group sent quite a contingent.

Georgetown-based Embree Asset Group showed up in force with more than a dozen attendees. Embree specializes in single tenant retail build-to-suit development.

Austin-area retailers also has a presence at the event, including: Alamo Drafthouse Cinema, Sport Clips, Torchy's Tacos, Chuy's, Whole Foods Market, Snap Kitchen, Hopdoddy Burger Bar, iFly Indoor Skydiving, Golfsmith, Calendar Holdings LLC and Schlotzsky's.

In addition, several Austin suburbs – including Buda, Cedar Park, Pflugerville, Kyle and San Marcos – sent government representatives.

Stay tuned for more feedback. I'll be asking attendees for their post-game analysis in the coming days.

► IN BRIEF

LOTS OF HILL COUNTRY DIRT TO TURN

Retail options have been hard to come by in far Southwest Austin, but a new development by two well-known companies plans to change all that with a mixed-use project at master-planned community Belterra. Crescent Communities of Charlotte, North Carolina, is working with Austin-based Endeavor Real Estate Group to provide more diversity for the exploding population along U.S. 290 on the way to Dripping Springs.

For more: <http://bizj.us/1hheb1>

OMELETTY SITE SET FOR MAKEOVER

By the time you read this, the Omeletty restaurant could be a thing of the past. The hippie throwback joint fortunately isn't going away permanently, though its original divey digs on Burnet Road were scheduled to be demolished to make way for a multifamily project.

For more: <http://bizj.us/1hhyex>

WHAT'S THE DEAL WITH ACC SPACE?

Months after Rackspace Hosting Inc. said that it would lease a remodeled Dillard's department store at the Highland Mall for its Austin headquarters, the deal has yet to be signed. Austin Community College now owns the mall and has been readapting different spaces throughout the former shopping center for education and research purposes. Officials from both parties provided ABJ with an update.

For more: <http://bizj.us/1ghq9>

REALMASSIVE BACKS PUSH WITH BIG BUCKS

Austin-based RealMassive is going for the gusto with another \$3 million investment to get its commercial real estate website to the masses. The company has spent about \$8 million in less than two years creating an open-sourced data base of office and industrial leasing information beginning with Austin and now in about 33 major markets. The plan is to overtake national data titan CoStar Group as the industry standard.

For more: <http://bizj.us/1hg69r>

rises to the occasion in Austin

He's since discovered the fastest commute to the Rainey Street District where Hotel Van Zandt is expected to open at 605 Davis St. in late July.

The 319-room hotel has been a long time coming.

JMI Realty had plans for the hotel dating back to 2006, but the Great Recession derailed those intentions and the company didn't break ground until June 2013.

Early in the construction process JMI announced the Kimpton affiliation – the first in Austin and only the third in Texas. Kimpton Hotels dates back to 1981 when Bill Kimpton began the company with one property in San Francisco. The luxury boutique imprint has expanded to 60 hotels in 26 cities.

Hotel Van Zandt will have its special riffs on Austin style – with special homage to namesake Townes Van Zandt.

"Obviously, it's a very famous name and we've certainly taken inspiration from that," Pangone said.

As such, there are design elements that ring out with musical metaphors – think trumpet and horn shapes. New York interior designer Mark Zeff has scoured the state looking for architectural salvage that will hit all the right notes.

Hotel Van Zandt will include a couple of casual dining areas and Geraldine's, an upscale restaurant named after the guinea fowl that once roamed the downtown's southeastern edge, as well as Van Zandt's dog.

Pangone is interviewing for an executive chef who's an expert at smoked meats and other locally sourced grub.

In a tribute to the city's musical roots, the developers are sparing no expense with a complex sound system and have even hired a cultural programming and music director who will put the divine in vinyl once again.

"We'll be very Austin-centric. Luxurious but a little gritty, too," Pangone said.

To see the latest renderings of Hotel Van Zandt, go to AustinBusinessJournal.com.

► CLOSER LOOK

HOTEL VAN ZANDT

Address: 605 Davis St.

Size: 319 rooms (41 suites, 5 presidential suites)

Meeting space: 12,000 square feet

Architects: WDG Architects, Dallas

Interior Design: Markzeff Design, New York

Contractor: Tribble & Stephens Construction Ltd., Houston

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► MARKET INTELLIGENCE

Real Property Management and RentRange have joined forces to provide data about single-family home leasing trends. Joe DeBlasio, a Realtor in Austin and Round Rock, is a franchisee with Real Property Management and shared some highlights of the latest report. Three-bedroom, single-family home rentals are the basis for the number crunching:

► **22 percent of Austin homes are rented.**

Compare that to Las Vegas where nearly 33 percent of three-bedrooms homes are rentals. In the major Texas markets, San Antonio has the highest rental saturation at 23.4 percent. At the other end of the scale, Dover, Delaware, had just 9.3 percent of the market in rental homes.

► **The average monthly rent in Austin was \$1,516** – up 6 percent from a year ago. The national average is \$1,286, an increase of 5.4 percent from a year ago.

► **The Austin vacancy rate is 4.5 percent**, up slightly from a year ago. The national average is 5.7 percent, also up very slightly.

► **The four major Texas markets are** trending toward more rental homes as a percentage of total inventory. Nationally, the up and down trends varied greatly. Boston, Chicago, Denver, Phoenix and Seattle are all trending downward. San Francisco, Washington D.C., Atlanta and Raleigh, North Carolina are trending upward.

► AWARD WINNER

Local homebuilder Wes Peoples Homes took home the top award for best urban infill project at the annual MAX Awards program sponsored by the Home Builders Association of Greater Austin. The house in the popular 78704 ZIP code of South Austin also won as the best product design by a volume builder in the "over \$1,000,000" category.

"The lot was a problem since it was a corner and narrow," Peoples said. "We could only get about a 31-foot-wide home on it."

With help from Sabas Flores of Kipp Flores Architects, Peoples reoriented the layout to create a strong street presence yet allow for a wider and more opened up home than the site ordinarily would dictate.

The master bedroom is on the main floor, a convenience that many buyers prefer these days. Also, pet-washing facilities are in the utility.

Interior design was handled by Mary DeWalt of Mary Dewalt Design Group. Peoples listed the house with Karl Koebel of Marketplace Real Estate Co. and it sold to a retired couple as a second home within 45 days of listing, Peoples said.



RACHEL KAY - APPLEBOX IMAGING



For more about the awards and other photos, type "homebuilder" in the search field of AustinBusinessJournal.com.