

## NEWS

# Back to the Trenches

## AMD tightens its hold on Lantana – and the enviro opposition digs in

BY AMY SMITH, FRI., DEC. 16, 2005



*Planned AMD site*

In the global scheme of things, Advanced Micro Devices is on a terrific roll. In the last two months, the Sunnyvale, Calif.-based microchip giant has ridden a heady wave of expansions, opening a new factory in Germany, a research center in South Korea, and a new venture in Argentina, while joining a major technology consortium in India – all of which play into AMD's long-range goal of hammering arch rival Intel and claiming the title as the world's No. 1 chip-maker. Buoyed by its third-quarter jump in sales and profits, AMD expects to make further gains in 2006.

In Austin – AMD's "second home" of 26 years – the company is poised to solidify its role in the local economy while adding a deeper shade of green to its environmental palette. It recently inked a deal to buy 100% renewable energy from Austin Energy's GreenChoice program, making AMD the largest private "green power" subscriber in Texas. More significantly, the company plans to sink more than \$21 million into a chunk of top-drawer real estate to build a state-of-the-art "green" office campus, a \$230 million project destined to set new standards for sustainable architecture in Austin. On Tuesday, as heralded by a front-page spread in the *Statesman*, AMD filed its Lantana site plan with the city.

With these types of major endeavors in the pipeline, you'd think the chamber and the greens would be hailing the news as a win-win all around. So why are environmentalists up in arms over AMD's plans? And why are Austin's most powerful business leaders wringing their hands in muzzled silence?

Simply put, AMD's plan to lay stakes in the Barton Springs watershed has reignited an old, ugly development fight, pitting unbridled economic development interests against environmental preservation. And because the battle involves one of Austin's largest and most celebrated employers, the business community is not keen on seeing the feud escalate, forcing leaders to return to a battleground most of them haven't seen since the late Nineties, after they declared a truce with environmentalists. "The last thing [business leaders] want, and the last thing they can afford, is a big fight over a major employer," said Robin Rather, an environmental advocate who helped broker a peace agreement with business heads in

1999, following an emotionally charged mediation process that took nearly six months. "If there is one thing we learned, it's that pitting job creation against the environment is nothing but trouble for both sides."

But with AMD's announcement last week that it's going to buy the land it had initially planned to lease from Stratus Properties, a big fight may be inevitable. The Save Our Springs Alliance, lead opponent in a coalition opposed to AMD's new development, began ramping up efforts immediately after last week's news (see "**Cons and Pros**").

The property is part of Stratus' Lantana project, a mixed-use development at Southwest Parkway and William Cannon. AMD also has options to buy three adjacent tracts, which would bring its southwest real estate holdings to about 100 acres. The property is in the contributing zone of the Edwards Aquifer, which feeds Barton Springs. Cognizant that effectively relocating 2,000 employees to an 860,000-square-foot campus in a sensitive watershed would spark an outcry from environmentalists, AMD has spruced up its plans with lots of green. The chip-maker has hired local sustainability wizard Gail Vittori as a lead consultant on the project. Vittori is a widely respected expert in the field with deep roots in the environmental community. Nevertheless, whatever green-building plans she manages to conceive for AMD's proposed "campus," it will remain hard to rally public support for a "green" company that tramples on the heart and soul of the city's planning principles by moving 2,000 workers to an environmentally and politically sensitive area of town.

Still, opponents are heartened that AMD doesn't expect to close on the property until the spring. "Our coalition has time to help AMD do the right thing and not bring thousands of employees and collateral damage to the Barton Springs watershed," said SOS spokesman Colin Clark.

## A Battle Resumes

No one doubts that the AMD feud carries strong potential for dredging up old development vs. environment grudge matches. "I'm very worried that we're going to ratchet this thing back to the old days," groaned one of the opposition force's "moderate" voices. That concern is justified, given AMD's failure to, as local activists put it, "engage the community in a dialogue" about its site selection process.

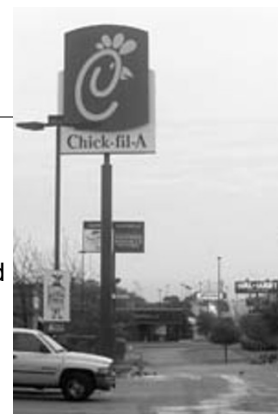
While it was clear that the southwest spot was in the mix of possibilities for AMD's new consolidated headquarters, the company stayed mum on its plans until April, catching environmental and neighborhood leaders flat-footed when they had to hear about it first by reading it in the *Statesman*. If there was one lesson that developers learned from the warring Nineties, it's that you don't want just to spring on the opposition the news of ... say, a large development over an environmental hot spot.

Since then, AMD has been making attempts to undo some of the damage. "AMD would serve its own purposes and the community much better if it would engage in meaningful dialogue about its site selection," said Rather. "From the start, it has just been going through the motions and has made the situation much more controversial and divisive than anyone deserved as a result. ... They show no sign of relenting, and neither does the environmental community, and everybody deserves better." Worse, she added, "AMD has dictated the terms of this process and left the community no choice but to have a more contentious and controversial situation than it should have been."

The company retained the PR shop of TateAustin (and more recently, Waggener Edstrom Worldwide) to try to make amends with the community – while carefully avoiding the subject of site selection. Still to be decided is the distribution process for a \$5 million land-acquisition gift – \$3 million from AMD and \$2 million from Stratus – which proponents of the project hope will serve as a suitable peace pipe.

For someone who's in the business of raising money to buy open space, the offering may do the trick for George Cofer, executive director of the Texas Hill Country Conservancy. Cofer, who says his position with the conservancy requires him to stay neutral on the AMD brouhaha, said he'd like to see the money used "for something broader than the aquifer. I've encouraged [AMD and Stratus] to put together an environmental package that could also go toward the Eastside," he said.

But the truth is, no amount of "greenwashing" can convince the most dedicated opponents – like the folks at Save Our Springs Alliance – that AMD's move to the watershed would in the long run be good for the environment. Those fighting AMD's relocation say that even should the company in fact employ world-class green-building standards, those measures



*SOS and others fear that if AMD moves over the aquifer, developments such as these, near the Dell campus in Round Rock, will take over the Oak Hill area. (Photo By Jana Birchum)*

will be insignificant compared to the leapfrog development – along with inexorable demands for new roads and infrastructure improvements – that a Fortune 500 company is bound to attract to the immediate and surrounding area.

From a longer perspective, the location of the proposed campus blithely ignores three community-driven planning bibles – the 1979 Austin Tomorrow program, the 1998 Smart Growth Initiative, and the May 2004 Envision Central Texas plan, all of which strive to direct growth away from the Barton Springs segment of the Edwards Aquifer, the most endangered underground freshwater source in Texas. The Smart Growth plan, in particular, has until now successfully steered major employers away from this area with offers of tax breaks and other incentives.

But AMD turned down the corporate welfare in favor of relocating in closer proximity to the homes of many of its employees – including, most significantly, the Barton Creek Country Club-side residence of chief executive officer Hector Ruiz. AMD prides itself on being one of the Environmental Protection Agency's top 20 "commuter-friendly" employers in the nation, and the city's traffic hassles figured strongly into consolidating employees who now commute to offices east and north. Opponents argue that AMD's traffic studies were unfairly designed to justify the move. Moreover, they say that because buses are rare in this part of town, and commuter rail is not in the foreseeable future, the southwest location will only increase the number of vehicle-miles over the watershed – and that's before the domino development that will follow.



SOS Director Bill Bunch  
(Photo By Jana Birchum)

AMD spokesman Travis Bullard said he hopes the site plan of the development – filed Tuesday – will convince many skeptics to support the project. "AMD has built a reputation over 26 years here in Austin, and it's a reputation that we're very proud of," he said. "We know that a reputation like ours takes years, decades to build, and we also recognize that it can be destroyed a lot faster than it takes to build it. But we stand behind our plan ... and we feel like once we're able to show the community what we plan to do, that they'll get behind it, too."

## Expensive at Any Price

The AMD controversy has touched off an unusual struggle within the Greater Austin Chamber of Commerce. According to chamber sources, nearly all of the group's board members, local business heavyweights by definition, are champing at the bit to rush to AMD's defense. But it happens that the man behind the city's Smart Growth Initiative – former Mayor Kirk Watson – is also the chairman of the chamber board, and Watson is also credited – or blamed – for using his leadership muscle to silence the chamber on the AMD matter. (Watson declined to discuss his role in forcing the chamber to stand neutral on AMD.)

"Kirk is running for office, don't forget," one chamber member reminded, gravely. Indeed, the Democratic candidate for the state Senate is walking a very fine line – quietly signaling his opposition to AMD's decision, while trying not to rile his business base or the folks out in Oak Hill and Circle C neighborhoods who support the chip-maker's move to their neighborhood. In an interview, Watson chose his words quite precisely: "I am very disappointed by [AMD's] decision," he said. "It runs counter to an approach that we had adopted for almost a decade now, which I believe is consistent with this community's overall values."

But Watson's official leadership days are numbered at the chamber. With Watson's chairman's tenure ending in January, one member predicted that his successor, Tim Crowley, will likely take a more active role in supporting AMD. Many economic development boosters consider AMD much too valuable an employer, given its global prowess in the technology field, to risk losing over a development skirmish. "Whether you call it blind loyalty or stupidity, if the battle gets bloody, the chamber will step in to help AMD," said one longtime player who did not want to be identified. "On a poignant level, I have some heartburn, and probably some gas, too, about where this is located, but I don't see it as my place to tell AMD that they can't go there because it goes against the community's values."

In a similar internal-tension vein, AMD and developer Stratus were said to have had their share of differences, which ultimately led to the company agreeing to pay Stratus \$21.25 million for the 58-acre property. One theory suggests AMD, in making the move to buy the land outright, is trying to distance itself from Stratus because of the developer's corporate connection to local environmental disputes, as well as its long history of moving Austin-bashing bills through the Legislature, which effectively whittled away at the city's ability to control its destiny by limiting growth over the aquifer.

Stratus, in fact, is commonly blamed for the reinstatement of the infamous "1704" legislation in 1999 – inadvertently repealed two years earlier – that provided developers with "grandfather" loopholes, meaning builders could develop their property under the rules that were in place before the 1992 SOS Ordinance, assuming the developers had filed initial applications with the city before SOS passed. Last month, this presumed entitlement loophole helped Stratus to secure city staff approval of its plat application for the AMD project. It is now also a point of contention that could form the basis of a lawsuit that the SOS Alliance may yet decide to file.

Still, AMD is not likely to relieve itself of a public relations headache simply by dumping Stratus as its landlord. Indeed, if anyone gains from this transaction and parting of ways, it's Stratus. Not only will the development company be \$21 million richer from the sale, but the split shifts the focus of public anger more directly on AMD. Stratus CEO Beau Armstrong insists that whatever differences came between his company and AMD, they were short-lived. "Any time you deal with a bureaucracy there's always moments of frustration," he acknowledged. "But now that we have a signed agreement, all those frustrations tend to evaporate when the ink dries on the contract."

SOS spokesman Clark expressed amazement that AMD would shell out more than \$21 million for property in the suburbs, particularly when Stratus successfully bid well below that figure to develop the city's Block 21 Downtown. "Stratus buys an entire Downtown block for \$15 million, yet AMD wants to pay Stratus \$21 million for land in the suburbs? What happened to AMD's claim that Downtown is too expensive?" He was referring to the city's initial efforts to entice the chip-maker either Downtown, north, or east – anywhere but the Lantana tract.

According to Armstrong, the costs associated with locating Downtown can easily scare off a large company, no matter how great the incentives. "Downtown is fabulous," he said, "but the cost of doing business Downtown is at least almost double what it is in a suburban environment, just from the construction cost, not to mention operating costs and the like."



*AMD CEO Hector Ruiz lives in this gated community adjacent to the Barton Creek Country Club (bottom), which just happens to be a short drive from the proposed AMD development. (Photo By Jana Birchum)*

## Bring Out the Lead Pipes

Throughout this controversy, a recurring political question – "Where the hell is City Council?" – has gone effectively unanswered. Opponents of AMD's relocation argue that city officials should be moving heaven and Earth to discourage the company from hanging its hat southwest of Downtown on ecologically sensitive lands. Mayor Will Wynn replies that he did everything he could to rope AMD into alternative sites. "I spent a lot of time and energy trying to get AMD to come Downtown, and I brought up significant incentive packages during these discussions," he said. "But, in the end, they decided to go to Lantana, and there is nothing we can do about that, especially when our own city staff is telling us that the entitlements on this land are 'a lead-pipe cinch.'"

Even if the city's legal counsel is correct – never a certain proposition – the council could at least formally state its opposition to the move with a resolution similar to the big-box ordinance, which grew out of the protracted debate over Wal-Mart's proposed supercenter over the aquifer in 2003, a plan that the retailer ultimately abandoned in the face of stiff opposition. A resolution to keep major employers off the aquifer region seemed almost certain to make its way to the dais a few weeks ago – until the council apparently determined that silence, or inaction, would be the politically, and perhaps legally, safest way to handle a volatile situation.

One factor in the council's timidity is the Oak Hill community's well-organized support for AMD's relocation to the area. On Nov. 17 – the day AMD's Allyson Peerman asked supporters to contact City Council members – the mayor's office received 147 e-mails that expressed optimism about the chip-maker's prospective move to Southwest Austin. Most of the e-mailers said they reside in the southwest, and about a third of the responses were from real estate and commercial-lending interests – the people who would most directly benefit financially from AMD's relocation. "All council members are just

terrified of this political behemoth of Southwest Austin," said one city staffer. "The perception of the council is that, if you go against the southwest, you can kiss your ass goodbye in those boxes out there. Had that political perception not been there early on, [the council] would be doing this minimal thing of passing a resolution."

One e-mail writer from Circle C reminded Mayor Wynn of a promise he made to the homeowners' association early this year – to help deliver a "first-rate employer to our doorstep." But Wynn says he didn't mean an employer the size of AMD. "I frequently tell people that I want to see quality employers in Southwest Austin," he said. But "that should in no way be taken to mean that I support having major employers over the aquifer. I buy into the 'supply chain' theory that predicts significant and intense development in the wake of such locations. ... The Desired Development Zone, particularly Downtown, is where we want major employers."

Still, a resolution to that effect doesn't appear to be in the cards. The business and real estate community, on whom the mayor and most of the current council depend for fueling their campaign coffers, believe such a measure would be a kiss of death for Austin's economy. Yet the council's silence on the matter will do nothing to quiet a fight that, if history is any indication, will get worse before it gets better. We can expect community advocates to crank up the heat on council to take a stand, particularly Wynn, who is seeking re-election next year and has drawn Council Member Danny Thomas as a challenger. "Too few people know that Wynn has won the gold medal in the AMD quiet game," said SOS' Bill Bunch. "We want to make sure he is properly recognized for this ignominious achievement." ■

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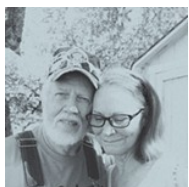
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