

# BUSINESS

HOUSTON CHRONICLE • THURSDAY, FEBRUARY 4, 2021 • SECTION B

• **DOW:** 30,723.60, up 36.12 (0.1%) | • **S&P:** 3,830.17, up 3.86 (0.1%) | • **OIL:** \$55.69, up 93 cents (1.7%) | • **NATURAL GAS:** \$2.79, down 6 cents (-2.0%)

## Nominee shares strategy for EPA

### Regan says regulation alone won't help climate in bid to assuage GOP

By James Osborne  
STAFF WRITER

Michael Regan, President Joe Biden's pick to lead the Environmental Protection Agency, worked to assure Senate Republicans on Wednesday that they would be heard as the new administration crafts regulations to address climate change.

In a hearing before the Senate Environment and Public Works Committee, Regan, secretary of North Carolina's Department of Environmental Quality and a former leader at the Environmental

Defense Fund, described a climate strategy in which he would use regulation and investment strategies to work with industry to reduce greenhouse gas emissions.

"We can't simply regulate our way out of every problem we face," he said. "If you want to address complex challenges, you must be able to see them from all sides. You have to be able to put yourself in other people's shoes."

Since Biden took office last month, Republicans have been inflamed by a series of executive orders aimed at shifting the coun-



**Michael Regan earned a reputation as a centrist deal-maker in North Carolina.**

try away from fossil fuels, including canceling the construction permit for the Keystone XL pipeline project and a one-year moratorium on oil and gas leasing on federal lands and waters, including the Gulf of Mexico.

Sen. Shelley Moore Capito, R-W.V., questioned whether the administration's commitment to helping protect impoverished communities from pollution would leave them worse off eco-

nomically – a reminder of the effect that closing coal mines have had on West Virginia and other Appalachian states.

"Where's the justice when many people are plunged into poverty, drug addiction and homelessness?" she asked Regan.

In North Carolina, Regan earned a reputation as a centrist deal-maker under Democratic Gov. Roy Cooper, who was willing to sit down with farmers, energy companies and other stakeholders affected by his actions.

Sen. Richard Burr, R-N.C., described Regan's work to clean up agriculture and power plants in their state as "balancing the values of environmental stewardship with the needs of rural com-

munities."

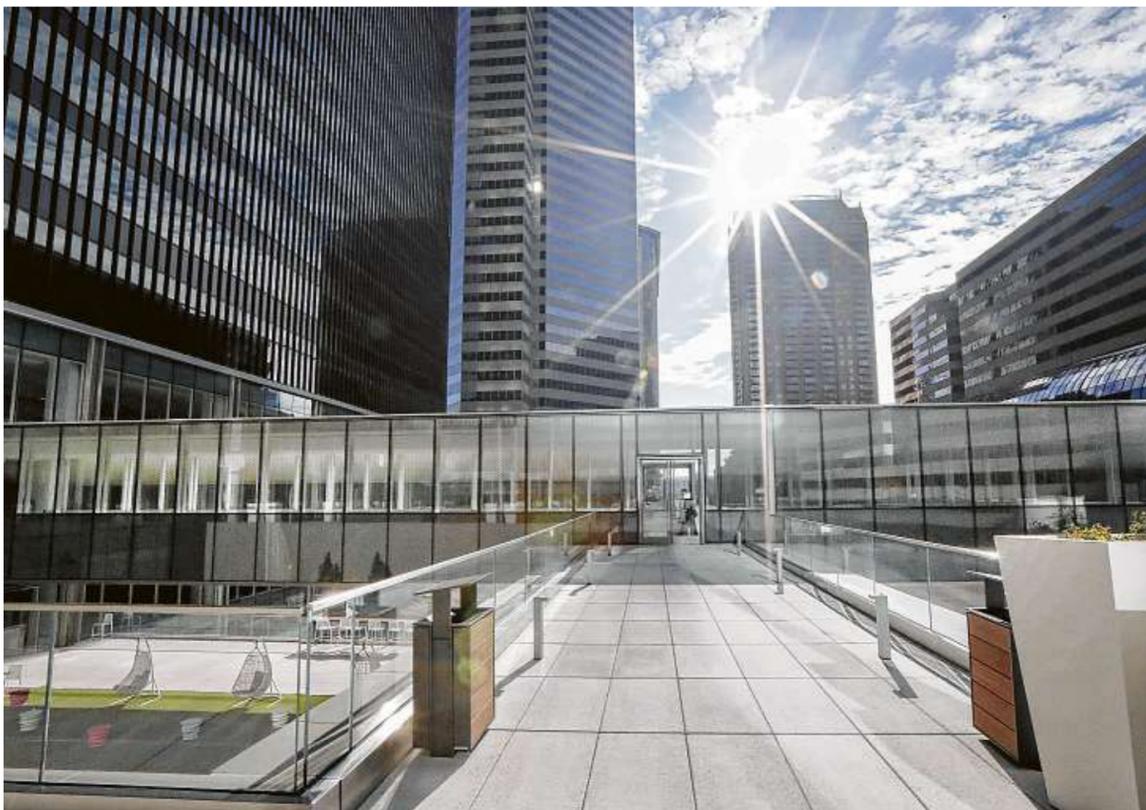
That has prompted some criticism from progressives that Regan's efforts to bring the two parties together on climate change will slow a decarbonization process that they say needs to move quickly.

Asked why Biden hadn't consulted with states before issuing his executive orders, Regan described the orders as "setting goals and visions."

"They leave plenty of room of how these things will be implemented," he said. "We have a ton of time to aim for these goals but massage the process by which we achieve these goals."

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## When pedestrians return, they'll find an environment transformed Houston Center makes its redesigned debut



Photos by Steve Gonzales / Staff photographer

**An outside walkway leads to an indoor walkway area at Houston Center, downtown's largest office complex, which has just completed an extensive renovation.**

By R.A. Schuetz  
STAFF WRITER

When Brookfield Properties purchased Houston Center in 2017, it held a design contest to reimagine downtown's largest office complex. Travis Overall, head of Brookfield's Texas region, wanted the 4.2-million-square-foot complex, which he likened to a fortress, to feel pedestrian friendly and connected with the outdoors.

The winning design – by Gensler, an architectural firm that has now moved its offices to the campus, and Clark Condon, a landscape architecture firm – featured three levels of greenspaces connected by a grand spiral staircase.

And now, Houston Center's makeover is complete.

More than 160 new trees wave from the sidewalks, courtyard and terraces of roughly 24,000 square feet of added pedestrian and greenspace, just as the

**Center continues on B6**



**A spiral staircase connects three levels of outdoor spaces at the renovated Houston Center, downtown's largest office complex.**



**Christopher Pappas' resignation as Luby's CEO was effective Jan. 27. He will remain on the board.**

## CEO steps down at Luby's as liquidation continues

By Amanda Drane  
STAFF WRITER

Christopher Pappas resigned from Luby's top post as the company moved forward with its liquidation, according to a Monday filing with the Securities Exchange Commission. The filing also outlined a dismal earnings report.

Pappas, whose resignation was effective Jan. 27, will remain on Luby's board, according to the filing. The company did not respond to a request for comment about the resignation.

The restaurant chain struggled to keep up with changing tastes in recent years, and the pandemic further devastated its ability to draw in customers. Luby's shareholders approved a liquidation plan in November.

The company estimates shareholders will receive \$3.82 per share in liquidated disbursements, Luby's said in its Monday

**Luby's continues on B6**

## Lawmakers targeting 'loophole' in property tax relief

By Taylor Goldenstein and Raga Justin  
AUSTIN BUREAU

This fiscal year was the first real test of a new law limiting large Texas cities and counties to 3.5 percent annual budget increases as the state Legislature tries to tamp down spiraling property tax bills.

The majority of local governments seem to have made that revenue cap work, according to data from the Texas comptroller's office, informal surveys and a review of news clips by Hearst Newspapers.

But at least 45 local governments, the city of Houston included, either went over 3.5 percent or considered doing so by using an escape clause written into the legislation that allows a return to the previous maximum of 8 percent during a state disaster. Higher tax increases are possible, but would require voter approval.

Senate Bill 2, which passed in 2019, offers some examples of what does and doesn't count as a disaster – a tornado, hurricane, flood, wildfire or "other calamity," but not a drought – but the list does not include a pandemic. Now, two co-authors of the bill

**Loophole continues on B6**

## County population shrinks during pandemic

By R.A. Schuetz  
STAFF WRITER

More people are moving out of Harris County than are moving in as the pandemic sustains a shift from urban centers to the suburbs, according to an analysis of smartphone data by location information company Unacast. It estimated Harris County saw a net outflow of 10,000 residents, representing income of \$740 million, to other counties in 2020.

The trend could have implications for Harris County tax collections, real estate investment and the leasing markets.

"That most of the loss of population came from (Houston) proper, and Harris County is a red flag for any investment in that area," said Unacast in its analysis. "In the near future, expect a ... continued shrinkage and stagnation in rental and leasing markets in downtown Houston."

The analysis, which used anonymous smartphone location data from thousands of apps, indicated Harris and Waller counties shrank while the surrounding suburbs grew. Montgomery County added a net 6,500 residents in 2020, and Fort Bend County added 6,300. According

to Unacast, 30 percent of the people leaving Harris County moved to a neighboring county.

There are three sources of population growth: natural growth, the number of births minus the number of deaths; people who move in from elsewhere in the country; and people who move in internationally. Nationwide, the natural growth of nations' populations have slowed as the country ages and millennials are choosing to have fewer children later in life. International migration has also declined every year since 2016 as the nation adopted a more closed stance toward immigration. But

now Harris County's domestic migration has turned negative while surrounding counties expand.

The shift is continuation of a trend that began in the wake of the 2015 fracking bust, then Hurricane Harvey in 2017. Now, Unacast's data suggest COVID – which accelerated a national trend of families seeking to escape rapidly rising costs in the urban core – is keeping Harris County's domestic migration in the red. Census data show that the problem of domestic migration is so pronounced that it caused Harris County's overall population to

**Population continues on B5**

**BUSINESS**

**LOOPHOLE**

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say that was a mistake and a loophole they intend to close this legislative session.

“It was never intended that we’d be in a 254-county pandemic,” state Sen. Paul Bettencourt, R-Houston, said. “When you look at the property tax code, that’s much more like a drought, which is exempt.”

Bettencourt and state Rep. Dustin Burrows, R-Lubbock, have not filed the legislation yet, but Burrows has mentioned the possibility of a “COVID-19 penalty.”

“If we have cities and counties somehow get away with jacking property taxes way, way up during this time, this 2020 cycle ... we should probably come back in 2021 and 2022 and force a lower rate to penalize them for having done that,” Burrows said on KFYO’s “Chad Hasty” show in June.

Dallas was among the earliest cities to consider – then quickly bat down – a resolution to set its voter approval rate at the 8 percent cap; Fort Bend County in July did the same.

Those that approved of the higher ceiling often did not make full use of it. The Brazoria County city of Manvel, for example, home to about 12,000 residents,



Eric Gay / Associated Press file photo

**Gov. Greg Abbott and Lt. Gov. Dan Patrick, left, say raising property tax rates in the pandemic “would be the worst thing.”**

did so but ultimately approved a tax rate that produced revenue growth of about 4 percent.

A similar situation unfolded in the small Gulf Coast city of Rockport, where Hurricane Harvey made landfall in 2017, and the final tax rate represented about 4 percent growth.

**Warnings from lawmakers**

In an interim report released in November, the Senate Committee on Property Tax, chaired by Bettencourt, recommended that the loophole be closed. The House Committee on Ways and Means recommended the same in a report released last month.

The disaster clause became widely known in mid-March when the Texas Municipal League, which represents cities’ interests at the Legislature, informed its members that they had the option to use the 8 percent voter approval rate if they wanted. Executive Director Bennett Sandlin said the group did not take a position on the matter; its goal was to let cities know they had the option.

Gov. Greg Abbott and Lt. Gov. Dan Patrick made their opposition clear in the following months as cities and counties were preparing to pass their budgets. Patrick, during a telephone

town hall meeting in April, said local governments raising rates amid the pandemic “would be the worst thing that can possibly happen,” and Abbott told Dallas’ WFAA that he disagreed with the municipal league’s interpretation of the law.

Most large Texas cities, including San Antonio, Dallas, Fort Worth and El Paso, did not exceed the 3.5 percent cap when setting their rates.

Smaller cities with a population under 30,000 are subject to a different cap calculated with a state-prescribed formula, though they may still be required to hold an election depending on the rate they approve.

Sandlin said he was not surprised most cities ultimately decided not to exercise the right to use the exemption “because cities are sensitive to their residents’ pain points, and during a pandemic is not the time to do massive increases in property taxes for sure.”

**Houston has its own cap**

Officials in Houston argued that the city’s own tax cap, in place since 2004, set it apart from others without one. The cap limits the annual growth of property tax revenue to the combined rates of inflation and population growth, or 4.5 percent, whichever is lower.

Back in 2019, local officials lobbied unsuccessfully for a carve-out in SB 2 for a city like Houston with a pre-existing cap.

To avoid hitting its own cap, the city has had to decrease its rate seven out of the last eight years. In that time, the rate has dropped about eight cents.

This year, the city dropped its tax rate again and allowed for revenue growth above the 3.5 percent cap but under the 8 percent cap. The cut represented about \$10 in property tax on a \$200,000 home with a standard homestead exemption, though that homeowner would have paid \$35 less if the city had stuck to the 3.5 percent cap.

But Bill Kelly, the city’s director of intergovernmental relations, said that would have been untenable after years of lowering the tax rate.

“SB 2 was about limiting growth,” Kelly said. “It was never designed to work in concert with Houston’s own revenue cap. As applied, the 3.5 percent (cap) would have cut revenue by \$38 million last fiscal year. That’s not what SB2 was intended to do.”

“We’re happy to sit down with (former) Chairman Burrows and show this was not an abuse of that system but instead something that allows us to basically have the same revenue,” Kelly said.

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**American Airlines warns workers of layoffs**

BLOOMBERG

American Airlines Group Inc. warned 13,000 employees that they could be laid off, many for the second time in six months, saying a much-anticipated summer travel rebound isn’t materializing.

The carrier will send out government-required WARN notices Feb. 5, Chief Executive Officer Doug Parker and President Robert Isom told workers in an email Wednesday. The warning came less than a week after United Airlines Holdings Inc. told 14,000 employees that their jobs may again be in danger.

The risk of new layoffs highlights the weak outlook for travel demand amid heavy coronavirus case totals worldwide and tougher government travel restrictions. With vaccination campaigns still in the early stages, domestic airline passengers are at less than 40 percent of 2019 levels. Foreign travel is at only about 15 percent, the International Air Transport Association said Wednesday.

At the end of 2020 “we fully believed that we would be looking at a summer schedule where we’d fly all of our airplanes and need the full strength of our team,” Parker and Isom said. “Regrettably, that is no longer the case. The vaccine is not being distributed as quickly as any



Cooper Neill / AFP via Getty Images

**Furloughs may be avoided if travel suddenly rebounds strongly or if Congress provides airlines a third round of federal aid by April.**

of us believed, and new restrictions on international travel that require customers to have a negative COVID-19 test have dampened demand.”

Five weeks into the new year, they said, “we unfortunately find ourselves in a situation similar to much of 2020.”

American fell 1.7 percent to \$17.30 after the close of regular trading in New York. The shares have tumbled 35 percent during the last 12 months, the second-biggest drop in a Stan-

dard & Poor’s index of nine U.S. airlines.

Furloughs could be avoided should travel unexpectedly rebound strongly or if Congress provides a third round of federal aid by April. Notices will be sent to 4,245 flight attendants, 1,850 pilots, 3,145 fleet service workers and others.

U.S. airlines furloughed workers in October when an initial round of \$25 billion in government aid expired. Then they recalled most of the affected employees after Con-

gress passed an extension of payroll support in late December. That second round of funding, for \$15 billion, expires March 31. Airlines and labor unions are lobbying for additional federal assistance.

“Issuing these required WARN notices isn’t a step we want to take,” the email said. “Tens of thousands of our colleagues have faced extreme uncertainty about their job security over the past 12 months, and that’s on top of the emotional stress all of our team has faced during an incredibly difficult year.”

In hopes of reducing the number of job cuts, the Fort Worth, Texas-based airline also is offering a third round of voluntary separations and 12- to 18-month leave options that frontline employees can choose, excluding pilots.

American furloughed 19,000 workers on Oct. 1, on top of 12,500 who had left the company voluntarily and 11,000 who previously took leaves of varying duration. Leaves are partially paid and include some benefits.

Delta Air Lines Inc. has avoided furloughs, relying instead on 18,000 voluntary departures and 50,000 workers taking unpaid leaves of as long as a year. Southwest Airlines Co. also has said it won’t lay off any workers at least through 2021.

**LUBY’S**

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filing, which also reports a \$3 million loss (10 cents a share) in the 12-week period ended Nov. 18.

More than a dozen former Luby’s and Fuddrucker’s properties can be found in online for-sale listings. The company plans to cease all its restaurant operations by the August end of its fiscal year, according to the filing.

On Friday, the company also learned the Small Business Administration is conducting an audit of Luby’s \$10 million Payroll Protection Program loan.

“This review may result in a determination that we were ineligible for the loan or are ineligible to receive the loan forgiveness amount that we have claimed,” Luby’s said in its filing, “or may delay our receipt of loan forgiveness, if any.”

The SBA declined to comment on specific borrowers, but said it was reviewing all loans of more than \$2 million.

The company said in the filing that as of Dec. 16 it was “in full compliance” with applicable regulations. Luby’s received the loan in April and applied for full forgiveness in November.

Following Pappas’ resignation, the company appointed John Garilli, of Winthrop Capital Advisors, as interim president and chief executive officer. Luby’s agreed to pay a one-time fee of \$50,000 and a monthly fee of \$20,000 for as long as he serves the company in the role.

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**CENTER**

From page B1

renderings had planned. The market the project is entering, on the other hand, is far from what anyone could have predicted. Roughly 84 percent of downtown office workers were working remotely on any given day, according to a survey by the redevelopment nonprofit Central Houston, as the novel coronavirus ravages the globe. Houston Center is currently leased at 60 percent occupancy. But Overall believes Houston Center’s new amenities will be in even more demand in a world reshaped by COVID.

“We probably have more outdoor space than anyone downtown,” he said, looking out across the building’s street-level park. At the far end of the grass, a metal bar released droplets of water in a digitally programmed pattern; they briefly spelled “HOUSTON CENTER” in letters that glistened with sun before they disappeared into the ground. But no passersby were on the sidewalks to see them.

When pedestrians return, they’ll find sidewalks transformed to cedar-elm-lined promenades; McKinney Street had one car lane removed to make the area more walkable and provide a space for rideshares to drop passengers off without disrupting traffic.

Benches and a standing table surround a stretch of lawn dotted with chairs, and on the other side of the digital waterfall is a spiral



Steve Gonzales / Staff photographer

**A portrait of Houston’s roadways and waterways fashioned out of moss hangs in Houston Center.**

staircase leading up to the mezzanine, where a patch of turf lined with hanging chairs leads tenants to a new fitness facility.

On the upper terrace, umbrellas shade bistro-style seating outside of the main lobby.

Such outdoor spaces were a trend in office buildings and mixed-used developments before the pandemic, but Lisa Schumann Stryker, vice president of communications for the National Association of Landscape Professionals, said commercial landscapers have seen interest in such spaces increase because of COVID.

“Building managers and

owners need to be more creative about giving employees the ability to meet and gather outdoors,” she said. “In a post-COVID world, all indications are that workspaces will need to be more flexible and enticing to get people away from their home office and back to workspaces.”

Dean Strombom, strategy leader at Gensler, hopes the redesigned office complex will be so enticing that it will be a destination.

“We hope it’s a place where people will want to come after business hours – evenings and weekends, as a place to go,” Strombom said. He conceived of the outdoors area as an

extension of Discovery Green, two blocks away, a place convention goers and the public could enjoy.

“(Houston Center) will have a lot of programs developed for the outdoor area.”

On the inside, gone – at least from view – are the Texas pink granite and bronze-colored wall treatments the ’70s-era complex was once known for. White terrazzo covers the granite floors, and white paint covers the bronze.

Other renovations include the addition of conference rooms that can be made bigger or smaller through walls that retract into the ceiling and huddle rooms that can control the

amount of ambient noise through shutter-like roofs that open and close.

Next to the huddle rooms hung a giant portrait of Houston crafted out of petrified moss. The concentric rings of the city’s highways circled Houston Center, located at the heart of a dense metropolis at a time when people have been forced to socially distance.

“We can’t wait to welcome people back to downtown Houston,” Strombom said.

“We’re ready for them,” Overall agreed.

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