Fort Bend County – Future Growth Implications
Todd LaRue, Principal, RCLCO

Fort Bend County Economic Development Council | July 18, 2013
Practice Areas
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- Community Development
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RCLCO is a land use economics firm delivering real estate strategies, market intelligence, and implementation assistance.
RCLCO NATIONAL MPC SURVEY
SALES IN TOP MPCs NATIONALLY UP 37% FROM 2011-2012

EIGHT communities in the Houston Region, FIVE in Ft Bend County and TWO Emerging

<table>
<thead>
<tr>
<th>Rank 2012</th>
<th>Rank 2011</th>
<th>Name</th>
<th>Location</th>
<th>2012 Sales</th>
<th>2011 Sales</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>The Villages</td>
<td>Ocala, Florida</td>
<td>2,851</td>
<td>2,307</td>
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<tr>
<td>2</td>
<td>4</td>
<td>Irvine Ranch</td>
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<td>The Woodlands</td>
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<td>1,007</td>
<td>945</td>
<td>7%</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>Cinco Ranch</td>
<td>Houston, Texas</td>
<td>982</td>
<td>862</td>
<td>14%</td>
</tr>
<tr>
<td>5</td>
<td>7</td>
<td>Mountain’s Edge</td>
<td>Las Vegas, Nevada</td>
<td>948</td>
<td>434</td>
<td>118%</td>
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<tr>
<td>6</td>
<td>8</td>
<td>Providence</td>
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<td>421</td>
<td>81%</td>
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<tr>
<td>7</td>
<td>15</td>
<td>Riverstone</td>
<td>Houston, Texas</td>
<td>605</td>
<td>302</td>
<td>100%</td>
</tr>
<tr>
<td>8</td>
<td>5</td>
<td>Alamo Ranch</td>
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<td>9</td>
<td>9</td>
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<tr>
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<td>14</td>
<td>Nocatee</td>
<td>Ponte Vedra, Florida</td>
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<td>313</td>
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<tr>
<td>11</td>
<td>11</td>
<td>Stapleton</td>
<td>Denver, Colorado</td>
<td>507</td>
<td>380</td>
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<td>12</td>
<td>25</td>
<td>Summerville</td>
<td>Las Vegas, Nevada</td>
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<tr>
<td>13</td>
<td>6</td>
<td>Brambleton</td>
<td>Washington, D.C.</td>
<td>466</td>
<td>454</td>
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<tr>
<td>14</td>
<td>-</td>
<td>Lake Nona</td>
<td>Orlando, Florida</td>
<td>441</td>
<td>164</td>
<td>169%</td>
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<tr>
<td>15</td>
<td>13</td>
<td>Bridgeland</td>
<td>Houston, Texas</td>
<td>423</td>
<td>334</td>
<td>27%</td>
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<tr>
<td>16</td>
<td>18</td>
<td>Sienna Plantation</td>
<td>Houston, Texas</td>
<td>387</td>
<td>267</td>
<td>45%</td>
</tr>
<tr>
<td>17</td>
<td>17</td>
<td>Shadow Creek Ranch</td>
<td>Houston, Texas</td>
<td>362</td>
<td>277</td>
<td>31%</td>
</tr>
<tr>
<td>17</td>
<td>23</td>
<td>FishHawk Ranch</td>
<td>Tampa, Florida</td>
<td>362</td>
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<td>58%</td>
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<tr>
<td>19</td>
<td>-</td>
<td>Woodforest</td>
<td>Houston, Texas</td>
<td>308</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>20</td>
<td>10</td>
<td>Telfair</td>
<td>Houston, Texas</td>
<td>307</td>
<td>381</td>
<td>-19%</td>
</tr>
</tbody>
</table>
FORT BEND COUNTY HOME TO MOST OF HOUSTON’S TOP MPC’S

- The most successful MPCs are special places in their respective markets, clearly differentiated from standard subdivisions
  - *Attention to detail, higher-quality built environment and superior lifestyle offering*
- Once again realizing premiums for lots

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<td>-</td>
<td>Woodforest</td>
<td>Montgomery County</td>
<td>308</td>
<td>-</td>
<td>-</td>
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<td>Telfair</td>
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<td>381</td>
<td>-19%</td>
</tr>
<tr>
<td>22</td>
<td>-</td>
<td>Aliana</td>
<td>Ft Bend County</td>
<td>300+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>-</td>
<td>Cross Creek Ranch</td>
<td>Ft Bend County</td>
<td>300+</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
HOUSTON MPC PERFORMANCE

- Sales up 25%+ Houston but not in mature communities such as The Woodlands and Cinco Ranch
  - Less product diversification
  - Approaching build-out
- Houston communities with fewer land constraints such as Bridgeland and Riverstone increased sales
- Demand is up but lot development continues to lag absorption - MPCs account for about 30% of sales, but only represent less than 20% of lot inventory
- Lot inventory is at its lowest level in nearly 10 years—true in Austin and Dallas as well
- Builders skeptical MPC’s can keep up with demand and are self-developing smaller communities in the absence of sufficient new replacement master-planned communities.

Riverstone, Johnson Development
There is once again strong market demand for homes and lots in MPC’s, as demonstrated in both mature and relatively new communities.

Though MPC’s are once again realizing premiums for homes and lots, the economics of launching new MPC’s are challenging.

One of the biggest challenges with new MPC’s wanting to take advantage of this is the upfront infrastructure costs—use of MUD’s and PID’s in TX and CDD’s in FL may point the way.

Some markets like Phoenix that seemed very oversupplied a year ago and are now supply constrained as the market has turned around.

Prices of labor and materials continue to go up as residential recovery continues—will prices keep up?

MPC’s with good access to job centers, or able to tap the growing AAC demand, have the strongest sales.
HOUSTON JOB CORES
JOB CORE AREAS, OR “CENTERS”
THE BUILDING BLOCKS OF REGIONS

Employment Centers drive the development pattern
- Regions grow around multi-dimensional regional centers
- Places with “export” and “region” serving jobs drive a region’s growth
- Places where employment, education, civic, and recreation combine to serve the region’s population and economic activity
- These are the places that benefit most from mobility connectivity
- A large portion of employment cores tend to locate in the favored quarter of growth in a region

New Centers are needed for job growth
- Correlation between the number and characteristics of economic centers and total jobs
- New cores emerge around transportation infrastructure
- Are more likely in favored quarter locations
WHY DOES FORT BEND COUNTY NEED AN EMPLOYMENT CORE?
WHY DOES FORT BEND COUNTY NEED MORE EMPLOYMENT CORES?

- **Fort Bend County is the region’s fastest growing county**—it is gaining more than twice its fair share of the region’s population growth.

- Fort Bend is nationally known for its high quality of life, but more employment cores needed to support its burgeoning household base.
  - Fort Bend County is loaded with high-quality master planned communities (MPCs) with retail and supporting services, but affluent, educated residents of those households are working elsewhere in most cases.
  - Household growth occurring further and further from job centers, further stressing road infrastructure that must accommodate more commuters going east/northeast.
  - The more rooftops Ft Bend accommodates without another well-planned large job center may put at risk its high quality of life due to traffic, congestion, mobility problems, etc.

- Fort Bend should work towards a better balance of jobs and households to ensure its economic future.
  - Increasing the amount of high paying, export-oriented industry jobs in Fort Bend County will help keep and attract new residents with high wage jobs working in Fort Bend County.
  - Based on improving jobs to housing ratios, there is demand for at least one and up to three new employment cores in the County over the next 30 years.
  - *Infrastructure projects crucial to facilitating new job centers*
ONLY 20% OF FORT BEND COUNTY RESIDENTS BOTH LIVE AND WORK IN THE COUNTY
65% COMMUTE TO HARRIS COUNTY

Where Residents of Fort Bend County Work
2011

SOURCE: U.S. Census Bureau; Local Employment Dynamics; On The Map
FORT BEND HAS A GREATER SHARE OF WORKERS COMMUTING 30 TO 90 MINUTES IF PATTERN CONTINUES WHAT HAPPENS TO QUALITY OF LIFE?

Distribution of Workers by Travel Time to Work
Fort Bend County, Harris County, and Houston MSA 2009

ADDITIONALLY, THE JOBS THAT ARE LOCATED IN FORT BEND DO NOT LINE UP WITH THE EARNINGS OF THE RESIDENTS. HIGH-WAGE JOBS ARE LOCATED ELSEWHERE IN HOUSTON REGION.

**Distribution of Resident Earnings and Employee Wages**
Fort Bend County, Texas
2010

- **21%** of the population earns greater than $75,000.
- **2%** of jobs pay an average annual wage greater than $75,000.

**SOURCE:** BLS; U.S. Census American Community Survey
FORT BEND IS 2ND LARGEST COUNTY IN REGION, BUT HAS ONE OF THE LOWEST JOBS TO HOUSING RATIOS
AVERAGE FOR HOUSTON REGION IS 1.3 JOBS/HOUSEHOLD

Jobs to Housing Ratio
Houston Region
2010

SOURCE: U.S Census 2010; BLS
GOING FORWARD, A CONTINUED IMBALANCE OF JOBS AND HOUSING MAY LEAD TO MORE CONGESTION AND IMPACT THE COUNTY’S COMPETITIVE ADVANTAGE & QUALITY OF LIFE

Projected Total Employment and Jobs to Housing Ratio
Fort Bend County, Texas
2010 – 2040

NOTE: Adjusted based on projected employment growth rates from HGAC applied to BLS 2010 employment in Fort Bend County
SOURCE: H-GAC; RCLCO; BLS
TO IMPROVE THE JOBS AND HOUSING BALANCE IN FORT BEND WITH ADDITIONAL JOB GROWTH WILL REQUIRE ADDITIONAL GROWTH IN EXPORT INDUSTRY SECTORS

Historical Share of Jobs in Export Industries¹
Fort Bend County vs. Houston MSA
2000 – 2010

![Graph showing historical share of jobs in export industries for Fort Bend County and Houston MSA from 2000 to 2010.](chart)

¹ Export industries include Natural Resources & Mining, Manufacturing, Wholesale Trade, Information, Financial Activities & Professional Business Services

SOURCE: Moody’s Economy.com; RCLCO
SIGNIFICANT JOB GROWTH IN THE NEXT 30 YEARS WILL REQUIRE NEW JOB CORES

Projected Total Employment Scenarios
Fort Bend County, Texas
2010 – 2040

At current projected low jobs to housing ratios, Fort Bend is expected to add between 150,000 and 290,000 jobs. Where will those jobs locate?

If Fort Bend makes economic development efforts to balance jobs and housing reaching 1.0 by 2040 through greater economic development and increasing shares of export industries similar to the Houston MSA, the region would add between 280,000 and 490,000 in the next 30 years. Where would those jobs locate?

NOTE: Based on projected growth rates from H-GAC and TSDC applied to 2010 BLS employment and jobs to housing ratios
SOURCE: RCLCO; H-GAC; Texas State Data Center
WHERE IN FORT BEND COULD EMPLOYMENT CORES EVOLVE?
SEVERAL POTENTIAL LOCATIONS FOR NEW EMPLOYMENT CORES TO EMERGE IN FORT BEND COUNTY
IMPROVED EAST-WEST AND NORTH-SOUTH MOBILITY IS KEY

To become a regional employment core, potential locations need:

- **Strong transportation access** (current/future) to existing centers of employment or ports
- Proximity to executive, high-quality housing
- Large contiguous pieces of land with good visibility and infrastructure to place a large amount of employment space
- Opportunities for housing surrounding the employment core to support the jobs in the core
GRAND PARKWAY AT WESTPARK AND I-10 CAN ACCOMMODATE SOME NEAR-TERM EMPLOYMENT, BUT AVAILABLE LAND INSUFFICIENT FOR MAJOR CONCENTRATION

Opportunities for an employment center to emerge along Grand Pkwy. are limited due to MPC development along the roadway and fragmented development/ownership at key interchanges.
FUTURE 36A/PRAIRIE PARKWAY COULD SERVE AS LIFELINE TO SECURE ECONOMIC SUSTAINABILITY OF FORT BEND COUNTY

Development of Prairie Parkway/36A
- Roadway provides key north-south connection to I-10 for growing concentration of residential development in northern and central parts of Ft Bend County
- Provides alternative connection to I-10 West from the Gulf and growing port of Freeport
- Serves as alternative emergency evacuation route for growing county household base

Road network of Prairie Parkway, Westpark Tollway, and I-10 can accommodate reverse commutes, reducing further stress on infrastructure that accommodates County residents commuting to Harris County

Critical mass of land under single ownership can ensure creation of large, cohesive job center(s) to serve the Fort Bend County and the region
- This condition was not present along the Grand Parkway, missing the opportunity for a large new employment center
- Strong growth of high-income and well educated households attractive to employers that would like to be closer to where their employees live
36A / PRAIRIE PARKWAY WOULD SERVE AS CRITICAL NORTH-SOUTH CONNECTION BETWEEN I-10, WESTPARK TOLLWAY, AND I-69, AND LIES DIRECTLY IN THE PATH OF THE HOUSEHOLD GROWTH

Annual Household Growth Rate
2012 – 2018

- **I-10 & Prairie Parkway**
- **Westpark Tollway and Prairie Parkway**
- **Kendleton Intermodal Logistics Hub**
- **To Freeport**
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