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Chapter

Economic Development

Horizon Plan

Reaching a consensus on a common understanding of economic development is the first necessary step in developing attainable goals and strategies. With this in mind, a definition is encouraged that acknowledges the importance of collaboration and partnership. Effective economic development policy for Huntsville should be judged by how well Huntsville can create a response from private investors. This response can certainly be measured in jobs, but a more inclusive—but more difficult to measure—set of metrics should also include community image, business startups, and talent attraction.

Located at the edge of the Piney Woods in East Texas, Huntsville has historically been recognized as the face of the Texas Criminal Justice system. While the presence of a number of prison units in the community has positively influenced the character of the community by promoting a strong values, they have not always contributed to a positive external perception of the community throughout the state. The image of Huntsville as a small, isolated prison town is already out of date. Already the community is beginning to see new developments spread north out of the greater Houston area. In addition, Huntsville enjoys the enviable position of being home to a growing higher education institution, Sam Houston State University (SHSU).

Huntsville’s community and business leadership should recognize that the community lies directly in the path of growth—bringing with it both great opportunities and challenges. Future expansions in business and housing are the obvious opportunities. In addition, the projected growth in the size of SHSU’s student body will continue to present opportunities, as well as challenges. Protecting the community’s quality of life, promoting the prosperity of its citizens, and diversifying the tax base will be Huntsville’s greatest challenges in the coming years. In other words, managing the Huntsville’s growth and maximizing development opportunities will be the key to promoting long-term economic growth and vitality.

PURPOSE & METHODOLOGY

The purpose of this chapter is to provide the City of Huntsville and area economic development partners with guidance for pursuing opportunities to achieve long-term growth and economic vitality in the community. Some issues, however, that

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have an indirect impact on Huntsville—but lie beyond the direct responsibility of the City—are raised in this plan. These concerns should be carefully distinguished from the City’s specific mission. For example, one of Huntsville’s greatest economic development opportunities is leveraging the presence of Sam Houston State University, which may require leadership by the university. In addition, it is also recognized that state agencies, such as the Texas Department of Criminal Justice, must abide by legislative and statutory mandates. Nevertheless, this chapter makes recommendations regarding all these issues, because failure to address them will ultimately weaken the City’s effectiveness and overall capacity to support and promote economic development.

This economic development chapter is divided into three sections:

- ◆ Discussion of trends affecting economic development opportunities in Huntsville.
- ◆ Presentation of target industries for Huntsville, including a definition of each industry and the rationale for their selection.
- ◆ Recommended goals for leveraging Huntsville’s key economic development assets.

ECONOMIC AND DEMOGRAPHIC ASSESSMENT

To understand the economic development opportunities available in Huntsville, the team conducted an assessment of the area. The purpose of the assessment was to identify Huntsville’s unique economic strengths and weaknesses in the context of the wider regional and national economies from a data standpoint. The team relied on the most current and accurate data sources (proprietary and public) covering those attributes that most clearly demonstrated Huntsville’s recent economic performance in comparison to similar Texas communities. This quantitative analysis was supplemented by discussions with area business leaders, and members of the development community to determine economic development goals for the community.

- ◆ A review of existing economic and demographic data, including population growth, educational attainment levels, employment growth and distribution, major employers, wages, and location quotients for Huntsville and Walker County,
- ◆ Tours of Huntsville sites to better understand its economic development product from a real estate standpoint,
- ◆ Focus group meetings and workshops to establish priorities for appropriate goals and objectives.

KEY DATA FINDINGS

Unsurprisingly, Huntsville’s economy is largely dependent on employment from the public sector due to the community being home to Sam Houston State University (SHSU) and several Texas Department of Criminal Justice (TDCJ) prison units. As illustrated in **Figure 4.1**, nearly half of local employment is concentrated in the public sector.

At the same time, labor force growth in Huntsville and Walker County has slowed in recent years while other peer communities have experienced stronger rates (see **Figure 4.2**). Their higher growth rates, however, are likely not due to local factors. Most likely, the success of many of these areas is undoubtedly related to their proximity to growing metropolitan regions. For example, Conroe (Montgomery Co.) and San Marcos (Hays Co.) are rapidly suburbanizing communities located on major interstate highways outside of Houston and Austin. Much of their employment and labor force increases is likely linked to spill-over growth from their larger neighbors.

Regardless, analysis of key data points reveals a number of potential economic development opportunities. For example, Huntsville enjoys a relatively highly educated young adult population relative to its competitors (see **Figure 4.3**). This potential advantage is likely a result of Sam Houston State University’s location in the area. In addition, Walker County has recently enjoyed a very strong employment growth rate in the Professional and Business Services sector. Financial Activities and Healthcare have also increased employment in recent years (see **Figure 4.4**). This development should be given strong consideration, given the relatively high wage rates typically seen in these industries. Further, these sectors offer strategic value as well due to their ability to assist in transforming Huntsville into a destination for talent within the region. Walker County also enjoys a high concentration of employment in the Leisure and Hospitality sector. This should indicate that developing amenities (recreational, entertainment, housing, and retail)

Figure 4.1
Nonfarm Employment by Industry, 2004

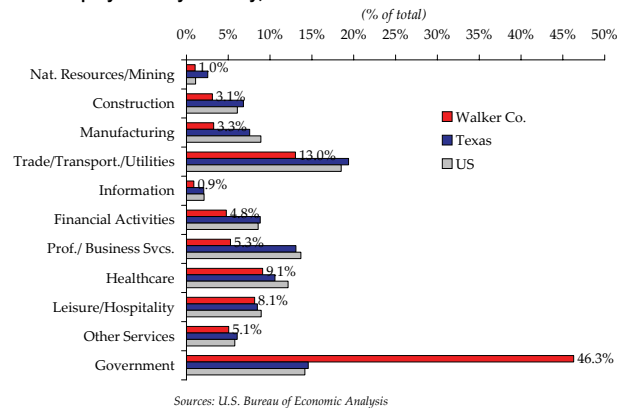
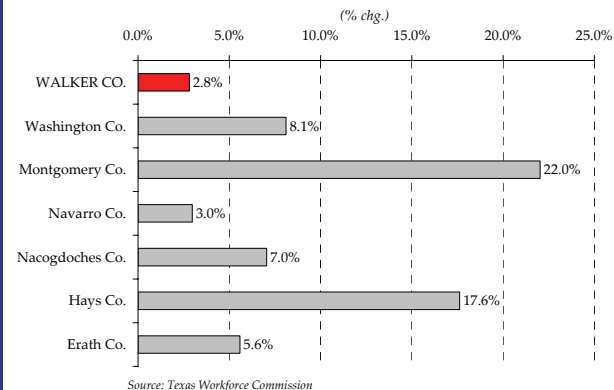


Figure 4.2
Civilian Labor Force Growth, 2000-2005



that are attractive to talented professionals and their families, as well as SHSU students and retirees hold potential for economic development in the area.

Finally, “traditional” industries should not be overlooked. Given Huntsville’s location along Interstate 45 which connects Houston to Dallas (two of the largest and

fastest growing metropolitan regions in the nation), transportation and logistics opportunities should be pursued. In addition, leveraging Huntsville’s location in proximity to these growing regions, combined with some of its regional natural resource assets indicates that the community could attract investment from construction-related industries.

Figure 4.3
Walker Co. Employment (by residence) & Unemployment Rate

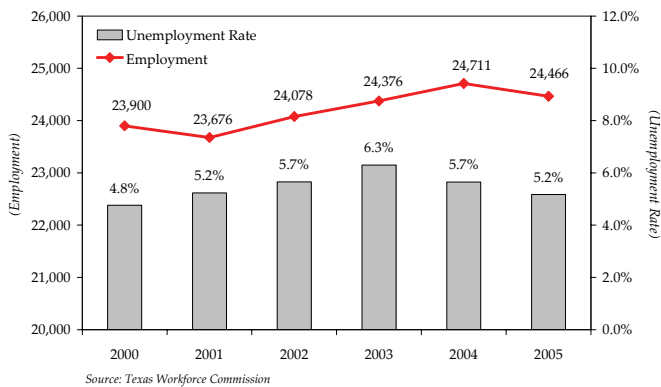
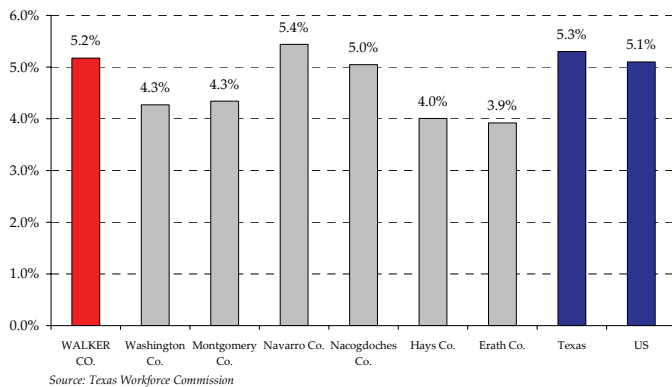


Figure 4.4
2005 Unemployment Rate Comparison



SWOT

The consulting team conducted a Strengths, Weaknesses, Opportunities, and Threats analysis for Huntsville to create a framework for understanding the area’s issues. This assessment was based on interviews, site visits, data analysis, and our experience. The following captures the major findings from this analysis:

Strengths

- ◆ Location on I-45, available land, and proximity to greater Houston region
- ◆ Stable employment base due to major public sector employers (TDJC, SHSU)
- ◆ School district
- ◆ Competitive educational attainment levels, especially among younger workers
- ◆ Downtown Huntsville
- ◆ Area recreational & tourism assets (national forest, Lake Livingston, golf course, statue, etc.)

Weaknesses

- ◆ Limited private sector activity
- ◆ Large share (roughly a third) of property in county off the tax rolls
- ◆ Lack of industrial/business park
- ◆ Retail leakage
- ◆ Limited local housing and entertainment options
- ◆ Limited local spousal employment opportunities
- ◆ Perception of “local development community” that Huntsville is difficult to work in and that codes are unequally enforced or not strong enough

Opportunities

- ◆ Anticipated population growth from the greater Houston area
- ◆ Enrollment growth at SHSU, graduate retention, and alumni attraction
- ◆ Small business/entrepreneurship program at SHSU
- ◆ Other strong SHSU programs (criminal justice, education, banking/finance, theater, dance, radio/TV/film)
- ◆ Downtown redevelopment and strengthening connections to the campus
- ◆ Growth in retail, housing, and healthcare
- ◆ Image and marketing campaign

Threats

- ◆ Unmanaged population growth
- ◆ Accommodating student population growth
- ◆ Lack of public transportation
- ◆ Declining enrollment at Huntsville ISD
- ◆ Outsider negative perceptions based on limited information

TARGET INDUSTRIES

The consulting team recommends Huntsville pursue the following target industries, as they present the community with its best opportunities for business retention, expansion, and attraction activities to the area. These industries are selected for their ability to serve a dual purpose: 1) to bolster and diversify the area's economy over the short-term by taking advantage of existing assets and 2) to provide a pathway to sustained economic growth over the long-term:

Integrated Building Systems

The integrated building systems sector includes firms that design, manufacture, and market pre-engineered buildings. Activities include the research and development of materials and systems, manufacture of building components, and final assembly of complete systems. Building systems also includes concrete, modular, and panelized products. In addition, integrated building systems tend to use a greater degree of information technology in the design and operation of new homes and commercial buildings.

Rationale:

- ◆ Strategic location on I-45 between two of the largest and fastest growing urban centers (i.e., Houston, Dallas-Ft. Worth) in the Sunbelt.
- ◆ Strong demand for housing and construction materials due to effects of recent hurricanes along the nearby Gulf Coast.
- ◆ Continued demand is forecast for newer materials and technologies to be used in construction.

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- ◆ Availability of raw materials (e.g., timber/lumber), other traditional construction materials (e.g., steel, fabricated metals), as well as advanced materials (e.g., polymers and composites) from the greater Houston region.
- ◆ Abundance of semi-skilled and skilled production labor throughout the region.

Logistics & Distribution

Logistics and distribution includes establishments engaged in the transport, storage, and distribution of goods, as well as affiliated services such as logistics and supply-chain management. Establishments include those involved in railroad and highway freight, marine shipping, and air cargo, as well as warehousing and storage and other fixed facilities and services.

The Council of Supply Chain Management Professionals (formerly the Council of Logistics Management) defines logistics as “the process of planning, implementing, and controlling the efficient, effective flow and storage of raw materials, in-process inventory, finished goods, services and related information from the point of origin to the point of consumption for the purposes of conforming to customer requirements.”

Rationale:

- ◆ Strategic location on I-45 between two of the largest and fastest growing urban centers (i.e., Houston, Dallas-Ft. Worth) in the Sunbelt.
- ◆ Access to nearby Union Pacific rail lines.
- ◆ Access to manufacturers and major retailers throughout East and Southeast Texas.
- ◆ Southern shift of nation’s manufacturing base.
- ◆ Availability of workforce from the surrounding rural areas.

Retail, Entertainment, & Leisure

The retail trade sector comprises establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise.

Leisure includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons. This sector comprises (1) establishments that are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing; (2) establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest; and (3) establishments that operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.

Rationale:

- ◆ Solidify existing status as retail trade center for Walker County and surrounding rural counties.
- ◆ Strengthen downtown Huntsville's status as a destination for entertainment and make it more attractive to SHSU students.
- ◆ Ability to draw talent to support target industries (especially Professional & Business Services).
- ◆ Increase Huntsville's attractiveness to families, tourists, and retirees.
- ◆ Assist in altering negative images (both external *and* internal) of Huntsville.

Professional & Business Services, including entrepreneurship

Business and professional services sector includes those firms that provide support services to a variety of companies. The industry sector includes both professional services, such as legal, accounting, and marketing, as well as more basic support services, such as document reproduction and data processing. It also includes technical services, such as research and testing, engineering, and specialized design services.

Rationale:

- ◆ Potential for continued growth and local economic diversification, especially among upper wage professional positions.
- ◆ Continued loss of manufacturing jobs means that much of U.S. employment growth will occur in the services sector.
- ◆ Business services represent the majority of high wage service occupations.
- ◆ Increased use of technology throughout all sectors will ramp up demand for software and IT support services.
- ◆ Trends toward the increased outsourcing of non-core functions will mean continued growth in this sector.
- ◆ Assist in retaining entrepreneurial talent from SHSU and leveraging the university's new Entrepreneurship Institute.
- ◆ Assist in changing the perception of Huntsville from a rural one to a first-class business destination at Houston's northern gateway.

GOALS, OBJECTIVES, AND ACTION RECOMMENDATIONS

The following goals, objectives and recommended actions were formulated to specifically address the key economic challenges and opportunities in Huntsville, which were identified through an analysis of economic and demographic trends influencing the area, extensive community input, and the consultant's expertise. Meeting these economic development goals will go far in repositioning Huntsville as a leading destination in the region, setting it on a course for long-term economic growth and vitality.

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While each of these goals was chosen for its ability to leverage distinct opportunities in Huntsville, they were also intentionally chosen for their ability to support one another. In effect, some objectives that are placed under one goal could just as easily have been put under another due to their inherent overlap. The City of Huntsville and area economic development allies should, therefore, remain mindful that a lack of support for one of these goals may hinder progress in another. As a result, community leaders should recognize that policies supporting a strong business climate for promoting economic development cannot be implemented within a vacuum. Instead, policies and program activities should be considered within the overall context of the variety of factors that can influence long-term economic growth in Huntsville (*To review the consultant's full recommendations, see the Economic Development Strategic Plan for Huntsville*).

GOAL 4.1: A strategic relationship with Sam Houston State University.

- ◆ *Promote economic development opportunities in Huntsville by leveraging the presence of SHSU and its enrollment growth.*

The importance of higher education in positively influencing economic development cannot be understated. Not only must employers be assured of access to educated and skilled workers, but talented individuals are often drawn to places that offer access to higher education and related amenities. As a result, it is imperative that the City of Huntsville remains supportive of SHSU, especially in light of making Huntsville a more attractive option for new residents and employers. The City should continue to strive to strengthen partnerships with SHSU and leverage its ability to be the future economic driver for the community.

The potential for this is evident. Already, the university has enjoyed tremendous enrollment growth; and projections indicate this trend will likely continue. Three elements of the university's growth and presence should be leveraged for maximizing its impact on Huntsville's economic development: 1) the growth in the student body population, 2) the retention and attraction of talent with strong ties to the university, and 3) leveraging the university to foster entrepreneurship in Huntsville.

1. Leverage SHSU to encourage entrepreneurship in Huntsville.
2. Retain SHSU graduates and attract alumni.
3. Leverage SHSU student population growth for economic development in Huntsville.

GOAL 4.2: An increase in Texas Department of Criminal Justice’s local economic impact.

- ◆ *Leverage the presence of TDCJ to expand economic development opportunities in Huntsville.*

TDCJ’s local presence (the state’s prison system headquarters) is without a doubt one of the key economic drivers for Huntsville. Employing over 6,900 workers locally, TDCJ’s impact on the area’s economy cannot be overstated. The City should count itself fortunate to enjoy such an important asset that does not suffer from the ups and downs of economic cycles. As a result, community leaders should continue to strengthen communication between local government and TDCJ to ensure that the City of Huntsville meets the agency’s needs.

TDCJ purchases a wide range of services and supplies locally, regionally, and nationally. This purchasing power represents an opportunity for economic development in Huntsville. Procurement rules and processes govern TDCJ’s purchasing practices (e.g., capacity to provide offsite backup for data). While these procedures limit the supplies that can be procured locally, there are several actions that the City could undertake to assist local businesses in enhancing their ability to fully benefit from TDCJ’s buying power.

In recent years, the Texas General Land Office has increased its efforts to sell excess or under-utilized state-owned properties as a means to increase revenues as well as diversifying local property tax bases. From a development perspective, TDCJ is currently in possession of a number of prime real estate development sites in and around Huntsville, including the Walls Unit in downtown, as well as properties along I-45 at both the northern and southern gateways to the community (e.g. Holliday and Goree Units). Public safety, however, should remain the highest priority in any potential land use decisions.

1. Leverage the purchasing power of TDCJ to support the expansion of existing businesses and attract new businesses to the community.
2. Assist TDCJ in recruiting workers by encouraging the expansion of attainable housing in Huntsville.
3. Assist TDCJ in reviewing and evaluating the use of its properties in Huntsville.

GOAL 4.3: A vibrant downtown.

◆ *Transform downtown Huntsville into a “university village.”*

SHSU is, without a doubt, Huntsville’s leading asset for fostering a positive community identity with a strong sense of place. For example, the university enjoys a heralded College of Arts and Sciences with several strong programs in art, dance, music, photography, and theatre. In essence, SHSU is the source for a tremendous influx of talented young artists who—if fully leveraged—have the capacity to transform the look and feel of Huntsville, while also presenting opportunities for cultural “exports” that might translate into a strong marketing buzz.

Despite offering the potential to be *the* place for culture and entertainment, downtown Huntsville remains largely untouched by the university’s presence—despite its close proximity. In other words, Huntsville is lacking in an overall “college town feel,” which is a detractor to the development a positive regional identity. In essence, downtown Huntsville could be transformed into a “university village,” making both SHSU and the community more attractive to prospective students and faculty.

While the addition of cultural and entertainment amenities will go far in helping to revitalize the area, the need for more traditional employment options in downtown will persist. This is partly due to the fact that Huntsville is the seat for Walker County which creates demand for services near the courthouse. The potential in downtown Huntsville, however, is greater. The concentration of young educated adults attending classes at SHSU could supply the talent needs of small professional and business service firms located within walking distance of the campus. In addition, their presence might also serve as a catalyst for entrepreneurial activity—whether through the establishment of retail boutiques or software startups. The “urban” feel of downtown Huntsville presents an ideal climate for garnering interest from creative young workers.

The greatest barrier to establishing downtown Huntsville as a “university village” is related, unfortunately, to one of the community’s greatest economic strengths: TDCJ. The location of the historic Walls Unit adjacent in close proximity to both downtown and SHSU campus offers an ever-present reminder that Huntsville is home to perhaps the largest concentration of incarcerated persons in the state. This is not to say that the Walls Unit should be demolished. On the contrary, the structure is both historic and architecturally significant. On the other hand, careful and collaborative consideration should be given to potential uses on sites adjacent to the unit. Additionally, the simultaneous release of multiple prisoners at the downtown bus station is said to cause a climate of insecurity on the streets of downtown Huntsville. While the bus station is the

location that has been designated for the release of offenders by state statute, the City may consider working with the station owner to relocate its operations.

1. Support the establishment of an entertainment and cultural district in downtown Huntsville.
2. Establish the downtown area as a destination for professional and business services activities, including entrepreneurial startups, to leverage its proximity to SHSU students.
3. Encourage TDCJ to evaluate its presence in the downtown area.

GOAL 4.4: An awareness of local business needs.

◆ *Support the retention and expansion of existing businesses in Huntsville.*

Building awareness of the needs that existing employers have, and developing policies and mechanisms to support local business and industry, is a must. Local companies are, by far, the largest and most reliable source for creating new jobs. As a result, it is critical that the City of Huntsville and area partners understand how local issues affect the competitiveness of area employers.

1. Strengthen dialogue between the City of Huntsville and area employers to better understand their businesses and their needs.
2. Ensure that local businesses are aware of community resources available to them.
3. Establish a formal incentives policy that recognizes the value of existing businesses in Huntsville.

GOAL 4.5: An ample supply of housing.

◆ *Increase the range of housing opportunities in Huntsville.*

Planning for future housing is quickly becoming a necessary component of any economic development plan. Housing costs are the single largest expenditure for most U.S. residents. According to the Consumer Expenditure Survey prepared by the Bureau of Labor Statistics, U.S. Department of Labor in April 2006, housing costs have ranged between 32.1 and 32.9 percent of the average annual expenditures for households between 2001 and 2004. For most homeowners their home is their most valuable asset and largest investment. Appreciation in home value continues to be the major source of wealth in the US, and nearly 60 percent of the net worth of the typical homeowner is equity in the home.

The location of housing and the type of housing are crucial to a community's economic health. If attainable housing is located outside the urban core, transportation networks are often over burdened and travel time to

employment increases. In the case of a student population, parking near the university is burdened when students are forced to drive to class since housing is not located within walking distance. The location of student housing is also important when considering where student entertainment is located. If students are enjoying restaurants and bars downtown and then driving home, the chance for alcohol related accidents are increased.

1. Support the development of attainable housing to ensure that area employees can live inside the community.
2. Promote the development of higher end housing in the Huntsville area.
3. Ensure that future student housing developments are closer to the campus area.

GOAL 4.6: A modern, fully-developed real estate product for new businesses.

- ◆ *Promote the development of a business park to make Huntsville more competitive in the recruitment of new businesses.*

Huntsville finds itself in the fortunate position of being “in the path of growth” of Houston. This apparent advantage should, however, be carefully monitored and managed—to the extent possible—as rapid current growth may lead to a future shortage of good business sites, especially along I-45. But this is only part of the problem. Huntsville has few existing fully served industrial sites to make it attractive to new recruitment prospects. In order to manage growth along the I-45 corridor and maximize its potential to diversify the economy and increase its tax base, providing these critical real estate products would prove to be an efficient use of public resources.

Special consideration should be given to TDCJ-owned properties that are adjacent to I-45, due to their strategic location, visibility, and access to the freeway. The City would be well served to open a dialogue with TDCJ to ascertain the feasibility, and desirability, of entering into a public-public partnership with the agency to promote development on these sites -45. One example might include the establishment of both the City and TDCJ cohabitating a facility. In addition, the City may also assist TDCJ in evaluating the prospect of entering into a public-private partnership for the development of key parcels.

1. Commence the long-term process of developing a business park to assist in recruiting new industries to Huntsville.

GOAL 4.7: Excellence in K-12 schools.

- ◆ *Support and celebrate excellence in Huntsville’s K-12 schools.*

Schools are a critical component to successful economic development at the local level. Employers need to be assured of access to trainable workers. At the same

time, professionals—along with rank-and-file blue collar workers—all insist on an excellent education for their children. In addition, homebuyers, as well as the development community, recognize that their investments are strongly affected by the quality of local schools. If a local schools falter or local property taxes are perceived as being out of line with expectations, the value of the investment—whether commercial or personal property—can be diminished. As a result, it is imperative that the community as a whole remains supportive of Huntsville ISD as well as local private schools and continues to leverage these valuable resources as a means for providing a positive image of Huntsville.

1. Jointly market Huntsville’s K-12 educational assets both internally and externally.
2. Enhance and expand partnerships between Huntsville ISD and higher education and workforce training assets.
3. Advocate for adequate funding for Huntsville ISD.

GOAL 4.8: A new, more positive image of the community.

- ◆ *Alter the image of Huntsville through an internal and external marketing campaign.*

As with all successful marketing, it is critical to identify target audiences and to focus efforts on them. The primary target audiences for Huntsville should be: 1) Local and regional business leaders who can influence business location and other investment decisions, 2) Key allies, such as state and regional economic development organizations, 3) Members of the region’s various media, and 4) Decision-makers at companies within the target industries.

The most important target audience for Huntsville should be the people and businesses who are already invested (either financially or emotionally) in the community. They are also the ones who represent Huntsville on a daily basis in their business and personal interactions—both regionally and nationally. A sustained internal marketing campaign should be undertaken to generate and promote a positive image of Huntsville. Making sure that existing residents and local business leaders have a positive image of the community is critical to the success of any external campaign as these are the people who can best tell the Huntsville story to the outside world.

Huntsville must set itself apart from the competition throughout the region. The most effective marketing strategies are those that promote specific initiatives and opportunities. In other words, the various target audiences must be swayed by the message that their interests can be maximized by investing social and economic capital in Huntsville. Specific initiatives or projects that should be most closely considered for highlighting in marketing materials include: redevelopment opportunities in the downtown area; the new

Entrepreneurship Institute; properties along I-45, and housing development opportunities.

1. Build consensus for a primary theme/message to market Huntsville.
2. Build awareness of opportunities among Huntsville's residents and leadership.
3. Build regional awareness of Huntsville, focusing on the greater Houston area and Texas.
4. Build awareness of Huntsville among decision-makers in target industries.