

**DRAFT**  
FOR REVIEW ONLY



# 9. Business and Economy



GOALS	POLICIES
Continue to foster a business-friendly environment.	<ul style="list-style-type: none"> <li>• Continue incentives for industry expansion.</li> <li>• Continue policies that result in low property taxes and avoidance of general obligation debt.</li> </ul>
Continue to promote a diversified economy.	<ul style="list-style-type: none"> <li>• Aggressively pursue industry recruitment and expansion effort.</li> <li>• Continue and expand support for tourism.</li> </ul>
Establish Tyler’s identity as a regional market leader for retail, medical services, and higher education.	<ul style="list-style-type: none"> <li>• Coordinate a community effort to market Tyler as a regional retail market, and a center of medical and educational institutions.</li> </ul>
Encourage international partnerships for future economic development.	<ul style="list-style-type: none"> <li>• Foster relationships with sister cities and other international contacts.</li> </ul>
Provide physical and social infrastructure to support economic development.	<ul style="list-style-type: none"> <li>• Ensure completion of Loop 49.</li> <li>• Extend water and sewer infrastructure to support growth.</li> <li>• Support investment in the public school system.</li> </ul>
Protect and enhance Tyler’s road, air and rail networks, facilities and services.	<ul style="list-style-type: none"> <li>• Promote more commercial flights to and from Tyler.</li> <li>• Protect potential expansion area around the airport from residential encroachment.</li> <li>• Support rail facilities and policies that ready the region for new rail opportunities.</li> </ul>
Continue to lead regional coordination for legislative support.	<ul style="list-style-type: none"> <li>• Work with regional partners for state attention to East Texas’ issues.</li> </ul>

## FINDINGS

- Tyler has experienced steady economic growth during the last several decades.
- Tyler has a relatively diversified economy.
- The city has a large retail sector relative to its size because it serves a region of over 675,000 people.
- Forty percent of Smith County jobs are in the service sector, with another 32% in trade and government.
- Jobs are growing at a rate of approximately 1.75% a year.
- Health care jobs have more than doubled since 1990.

## CHALLENGES

- Expanding infrastructure and transportation services to support new growth.
- Publicizing the size of Tyler’s retail region as among the top 75 MSAs.
- Ensuring state support for East Texas economic growth.
- Attracting new jobs and retain existing ones in diversified industry sectors.

**A** generation ago, Tyler had an industrial economy revolving around a few industries such as the oil and gas industry. While the energy industry remains important to the city’s economy, Tyler today is fortunate to have a diversified economy that includes manufacturing, health care, education, distribution, back office activities, retail, and real estate development. Home to three

## ECONOMIC FACTS

- **EMPLOYMENT:**
  - > 2005 total payroll workers: 90,800
  - > 2005-2010 projected total employment growth: 1.8% per year
  - > 1990-2005 increase in health care jobs: 5.1% per year
  - > 1990-2005 increase in retail jobs: 1.8% per year
  - > 1990-2005 decrease in manufacturing jobs: 1% per year
- **WORKER CHARACTERISTICS (2000):**
  - > 61% of residents 16 and over are in the labor force
  - > 78% of Tyler workers have jobs in the city
  - > 93% of Tyler workers have jobs in Smith County
  - > 72% work in the private sector
  - > 14% work in government
  - > 10% are self-employed
  - > 0.5% are unpaid family workers
- **RETAIL SALES:**
  - > 2005 percentage of Smith County retail dollars spent in Tyler: 80%
  - > 1995-2004 Smith County retail sales increase: 9% per year
  - > 2004 retail sales per capita in Smith County: \$14,959 (Texas average –\$14,563)
  - > 2005-2010 projected retail sales growth for Smith County: 6-8% per year
- **RETAIL AND OFFICE MARKET (2005):**
  - > 3.7 million square feet of retail space
  - > Retail 2005 occupancy rate (excluding Broadway Square): 91.8%
  - > Average retail lease rate: \$11.61/sq. ft. (up from \$10.80 in 2004)
  - > 2,022,703 square feet of office space
  - > Downtown 2005 office occupancy rate: 83.3% (86% in 2004)
  - > Suburban 2005 office occupancy rate: 87.6% (91.9% in 2004)
  - > Average office lease rate in 2005: \$12.10/sq. ft. (up from \$11.81 in 2004)
- **MUNICIPAL FINANCES:**
  - > Moody's bond rating (2003): Aa3
  - > Standard and Poor's (2003): AA-
- **TAXES (2005):**
  - > 2005 total tax rate: \$2.160 per \$100 valuation
  - > City of Tyler property tax rate: \$0.2489
  - > The City of Tyler tax rate is the lowest among all mid- to large-sized cities in Texas.
  - > Tyler has \$8.28 billion worth of real property on the tax rolls (8.4% increase from 2004).
  - > Tyler I.S.D. tax rate: \$1.4660
  - > Sales tax: 8.25%
    - > 1.5% City of Tyler
    - > 0.5% Smith County
    - > 6.25% State of Texas
  - > 2005 City of Tyler full 1.5% sales tax receipts: \$30,551,325 (8.1% increase from 2004)

### WHAT DOES IT MEAN?

- Tyler's economy is based in the service, wholesale, and retail trade sectors.
- Nearly half of employment is in the service sector.
- Healthcare is the fastest-growing field in the service sector.
- Tyler serves as a major regional retail center.
- Retail sales continue to grow and boost Tyler's economy.
- Tyler has unused office and retail capacity.
- Municipal finances are in good shape.
- Continued growth is adding more property to the tax rolls and generating greater sales tax revenues.

Sources: Tyler Economic Development Council; Perryman; Claritas; Texas A&M University Real Estate Center; Burns and Noble

medical centers and three institutions of higher education, Tyler has experienced steady economic growth in recent years. The city serves as the retail, educational, and health care center for East Texas.

A community's economic health depends on its ability to attract and support businesses and industry. Economic factors that affect business development include a city's location in relation to major markets, the availability of a skilled labor force, wage scales, land prices, transportation and utility costs, and taxes. When making location decisions businesses also consider quality-of-life factors, including school quality, housing supply and costs, municipal services, open space and recreation opportunities, and cultural amenities, because a good quality of life attracts a high-quality work force. Government entities increasingly play larger roles in the competition for new businesses and business retention, seeking to improve tax bases and provide more quality jobs for their residents. Cities can use economic development strategies to influence location decisions by potential businesses, nurture local entrepreneurs, and enhance the community's fiscal and social well-being.

### **ECONOMIC DEVELOPMENT INSTITUTIONS IN TYLER**

The City of Tyler does not have an economic development department or staff member whose time is devoted to administering the variety of economic development incentives that are available from the State of Texas and the federal government. The City is the largest single investor in the Tyler Economic Development Council (TEDC) which focuses on business recruitment and retention. Founded in 1989, the TEDC, supported by government and private sector funding, concentrates its efforts on the export sector of the Tyler economy – that is, the job-creating firms that sell their goods and services primarily outside the East Texas region. This part of the economy brings new dollars into the Tyler region. The TEDC has a four-point strategy: retention and expansion of existing businesses; new and small business development; targeted marketing and attraction of new business; and provision of incentives and infrastructure. TEDC's activities include ownership of the Tyler Business and Industrial Park, establishment of a successful small business incubator, organization of TIFs and other incentives, and workforce training. The high-priority business sectors that TEDC has targeted for recruitment are biomedical research and medical manufacturing; plastics research and manufacturing; distribution centers; and office data centers. Because of the emphasis on export firms, TEDC has not been as involved in promoting Tyler's flourishing retail sector. The Tyler Area Chamber of Commerce, which includes many small businesses, as well as the larger firms, often collaborates with the TEDC on economic and business development planning for the Tyler region.

### **Vision 2010**

In 1994, 1999, and 2004, the TEDC and the Tyler Area Chamber of Commerce conducted visioning exercises in the Tyler business community. These exercises were designed to promote communication between business leaders and community leaders and to create consensus on business and development strategies for the Tyler area over the next five to fifteen years. The 2004 visioning task force identified ten major business priorities for

Tyler and developed a survey mailed to over 2,800 households in the community that asked respondents to rank these priorities. Approximately 25% of households receiving the survey responded and supplied the following rankings:

1. Exemplary schools
2. Completing Loop 49
3. Making Tyler an educational destination
4. Building an arena/convention center
5. Making Tyler a retail destination
6. Developing a tax strategy to attract new investment
7. Creating a Smith County development plan
8. Creating a downtown master plan
9. Attracting new biotechnology businesses
10. Providing leadership, workforce development, education, and business programs that will better incorporate the Hispanic population into Tyler's business community.

These rankings were used as the basis for Vision 2010, an economic development plan focused on five goal areas – economy, education, infrastructure, leadership, and quality of life – and expanding Tyler's role as a regional destination. The goal areas encompassed the top ten priorities identified in the community survey and the plan identified challenges and potential strategies associated with each priority. However, Vision 2010 did not include an implementation schedule that prioritized recommended actions and set them within a concrete time frame.

Many of the priorities and strategies identified in 2004 by Vision 2010 remain relevant to Tyler in 2007 and have been incorporated in the Tyler 21 Comprehensive Plan. Work on some strategies has begun, but other strategies remain potentially implementable in the future. This chapter of Tyler 21 draws upon business priorities in Vision 2010, but seeks to update and expand its goals and recommendations and provide an implementation timeline that will help the City and the business community realize these short- and long-term goals.

## A. Current Conditions

### A NOTE ON SOURCES

The data in this section come primarily from the Tyler Economic Development Council, which aggregates data relevant to the Tyler economy from a variety of sources. These include state data and the annual Perryman Annual Economic Outlook, which projects economic growth for the next five years. Most of the data available for Tyler covers the Tyler Metropolitan Statistical Area, which is Smith County. The City of Tyler is the largest municipality by far and accounts for about half of the population in the county. Although the city benefits in many ways from jobs and business located outside the city limits, as they contribute to the overall prosperity of Smith County and the buying power of its population, the city government receives greater benefits, through property tax and sales tax, from businesses located within the city limits.

### Economic Activity

Tyler has a diversified economy, ranging from oil refining and manufacturing to communications, retail, call centers, and distribution. Like the state a whole, Tyler's economy is oriented to trade and services, accounting for 45% of its gross product. Mining and manufacturing, the mainstays of the economy some decades ago, still produce one-fifth of the gross product, matching those sectors in the overall Texas economy.

### Employment

In May 2007, the Tyler MSA (all of Smith County) labor force included almost 97,000 workers. The labor force has both expanded and contracted during 2006-2007: the May 2007 total represents a decrease of over 1,000 workers from January 2007, but is only slightly lower than the May 2006 total. The MSA's unemployment rate generally is lower than the state's: in May 2006, the Tyler MSA's unemployment rate was 4.5, compared to the state rate of 5.0, and in May 2007, the Tyler MSA rate fell to 3.7, compared to 3.9 for Texas. The May 2007 unemployment rate in the Tyler MSA was the twelfth-lowest rate in Texas.

REAL GROSS PRODUCT BY SECTOR (2006) IN PERCENT		
TYPE	TYLER MSA	TEXAS
Services	26.64	21.88
Agriculture	1.14	0.82
Government	9.19	9.90
Mining	6.62	6.36
Construction	3.67	4.52
Manufacturing	14.66	14.48
Trade	17.94	14.75
Transportation/ Warehousing/Utilities	3.67	6.80
Information	5.17	4.81
FIRE*	11.10	15.66

*Source: The Perryman Forecast (2007); \* Finance, Insurance, Real Estate*

LABOR FORCE AND UNEMPLOYMENT RATES, 2005 - 2007				
DATE	TYLER MSA LABOR FORCE	TYLER MSA UNEMPLOY- MENT RATE	TEXAS LABOR FORCE	TEXAS UNEMPLOY- MENT RATE
May 2005	95,985	5.0	11,240,885	5.2
January 2006	96,463	4.8	11,329,889	5.4
May 2006	97,021	4.5	11,428,119	5.0
January 2007	97,902	4.7	11,526,683	4.7
May 2007	96,692	3.7	11,491,368	3.9

*Source: Texas Workforce Commission*

According to the Texas Workforce Commission, in May 2007, the Tyler MSA had an estimated 93,100 non-farm jobs, which represents an increase of 300 jobs from April 2007 and 700 jobs from January 2007. The Perryman Forecast, an economic report, projected annual employment growth of 1.75% for the Tyler MSA between 2006 and 2011. This rate means that approximately 9,000 new jobs will be created in the Tyler MSA in that period.

Average wages in Tyler are lower than those in the state of Texas, but higher than the East Texas region as a whole. In the last quarter of 2006, average weekly wages in the Tyler MSA were \$739 per worker (\$38,428 annually); in Texas the average weekly wage for the same time period was \$869 (\$45,188 annually). However, in East Texas, the average annual wage in 2006 was \$30,388, which probably reflects the fact that fewer higher-paying professional and manufacturing jobs are available in the region's smaller towns and cities.

Tyler serves as a major employment center for East Texas. Most Tyler MSA workers reside in Smith County, but a small percentage of workers comes from surrounding counties, including Henderson, Cherokee, Van Zandt, and Wood counties.

Jobs in the Tyler MSA are found primarily in service industries, trade, and government. The service industry includes health care, which employs some 7,000 people in the Tyler area. Major employers in Tyler include health care and retail businesses. The list of Tyler's major employers exemplifies the diversification of the economy: the nineteen largest employers include the health centers; manufacturers; both national and local retail chains; professional, banking, and information services; and local government entities.

RESIDENCE COUNTY OF TYLER MSA WORKERS	
COUNTY	PERCENTAGE OF WORKERS
Smith	81
Henderson	4.4
Cherokee	2.9
Van Zandt	2.7
Wood	2.3
Gregg	1.8
Rusk	1.1
Upshur	1.0
Anderson	0.8
Harrison	0.3

*Source: Tyler EDC and Census 2000 data*

TYLER MSA EMPLOYMENT BY SECTOR (2006) IN PERCENT		
TYPE	TYLER MSA	TEXAS
Services	40.99	37.36
Agriculture	0.64	0.85
Government	14.00	17.57
Mining	0.97	1.66
Construction	4.83	5.95
Manufacturing	10.30	8.64
Trade	17.88	15.85
Transportation/Warehousing/Utilities	3.59	3.89
Information	2.14	2.16
Finance/Insurance/Real Estate	4.66	6.06

*Source: The Perryman Forecast (2007)*

TYLER MSA MAJOR EMPLOYERS (2007)		
COMPANY	PRODUCT/SERVICES	EMPLOYEES
Trinity Mother Frances Health System	Health care	3,657
East Texas Medical Center	Health care	3,217
Brookshire Grocery Co.	Grocery distribution headquarters	2,591
Tyler Independent School District	Public education	2,424
Trane Co.	Air conditioning units	2,169
Wal-Mart	Retail	1,795
Carrier Corp.	Commercial air conditioners	1,300
UT-Tyler Health Center	Health care and research	1,100
CB&I Howe-Baker	Engineering	1,000
Tyler Pipe	Cast iron pipe	914
Tyler Junior College	Higher education	879
Target Distribution Center	Retail distribution	751
City of Tyler	Local government	750
Smith County	Local government	660
Suddenlink	Cable and Internet services	567
Southside Bank	Banking services	500
Loggins Meat Co. Inc	Meat packing	427
John Soules Foods Inc.	Meat processing	340

*Source: Tyler EDC and Chamber of Commerce*

Forecasts show service jobs growing by 2.28% annually in the Tyler MSA, and by 2011, service, trade, and government jobs will comprise over 73% of the jobs in the area. For the state as a whole, Perryman projects that more than one half of the new jobs created in the next five years will be in the service industries. Tyler appears to be following and exceeding this state trend, so a number of the new jobs that the city may expect to attract will be service-oriented. Many of these jobs will be health-care related, continuing a trend since 1990 during which the number of health care jobs more than doubled in Tyler. The Perryman Group also expects real gross product in the Tyler MSA to grow by 4.23% and real personal income to increase by 4.25% by 2011. These rates mirror forecasts for the state and show that Tyler is expected to benefit from the state's favorable business climate.

### Cost of Living

Tyler enjoys a low cost of living in comparison with many of the country's metropolitan areas. In the first quarter of 2007, the Tyler MSA's overall cost of living index was 91.1, which means that goods and services in the area cost less than the national average (which is indexed at 100). Notably, housing prices in the Tyler area are much lower than the national average, suggesting that this affordability may be attractive to employers and workers who are considering relocating to Tyler.

<b>COST OF LIVING INDEX* IN THE TYLER MSA (1ST QUARTER 2007)</b>	
<b>CATEGORY</b>	<b>INDEX</b>
Groceries	92.4
Housing	83
Utilities	98
Transportation	91.5
Health Care	94.9
Miscellaneous	94.6
<b>Total</b>	<b>91.9</b>
* National Average = 100 Source: Tyler EDC (2007)	

In comparison to cities in Texas and cities of comparable size and character, however, the Tyler MSA's cost of living index is not as favorable. Transportation costs in the Tyler MSA usually are lower than those in other areas, but the Tyler MSA's utility costs and housing costs generally exceed those in Texas and similar southern cities. The latter is surprising, given that the Tyler MSA's housing costs are so much lower than the national average. The chart below shows cost of living index comparisons between Tyler and other cities. Positive percentages mean that a cost would be higher in that particular city than in Tyler; negative percentages mean that the cost would be lower than in the Tyler MSA.

<b>COMPARATIVE COST OF LIVING INDEX IN OTHER MSAs (2007)</b>						
<b>ASSUMING A \$40,000 HOUSEHOLD INCOME IN THE TYLER MSA . . .</b>						
<b>CITY</b>	<b>COMPARABLE INCOME</b>	<b>COST OF GROCERIES</b>	<b>COST OF HOUSING</b>	<b>COST OF UTILITIES</b>	<b>COST OF TRANSPORTATION</b>	<b>COST OF HEALTH-CARE</b>
Dallas, TX	\$40,671.76	+8.98%	-6.74%	+8.64%	+12.57%	-2.74%
Fort Worth, TX	\$38,135.43	+0.73%	-6.36%	-7.11%	+5.85%	-6.74%
Little Rock, AK	\$39,875.12	+5.62%	-5.04%	+1.25%	+3.83%	+4.88%
Oklahoma City, OK	\$39,659.81	-3.88%	-0.47%	-7.66%	+4.57%	+0.13%
Greenville, SC	\$39,633.98	+4.28%	-4.79%	-16.44%	+1.84%	+4.66%
Shreveport, LA	\$39,991.39	-0.67%	+6.30%	-16.47%	+1.24%	-3.64%
Jackson, MS	\$39,509.10	-3.61%	+2.34%	-0.09%	+0.66%	+3.78%
Source: CNN Money.com using ACCRA 2007 data						

Tyler actively markets itself as a retirement destination and has earned the distinction of being a Certified Retirement Community in Texas. The Tyler MSA's low cost of living helps attract new senior residents. Although the Tyler MSA's cost of living may not be dissimilar to that of other smaller southern cities, its cost of living index relative to well-known retirement communities makes the area an attractive retirement destination. This makes it important to plan for businesses and health care facilities that will serve the existing and new senior population.

COMPARATIVE COST OF LIVING INDEX IN OTHER RETIREMENT COMMUNITIES (2007)						
ASSUMING A \$40,000 HOUSEHOLD INCOME IN THE TYLER MSA . . .						
CITY	COMPARABLE INCOME	COST OF GROCERIES	COST OF HOUSING	COST OF UTILITIES	COST OF TRANSPORTATION	COST OF HEALTH-CARE
Las Cruces, NM	\$43,212.40	+7.60%	+20.62%	+4.34%	+6.60%	-0.59%
San Antonio, TX	\$39,905.26	-10.78%	+1.87%	-13.64%	+0.60%	+2.39%
Asheville, NC	\$43,332.97	+5.18%	+29.76%	-14.51%	+9.12%	+1.21%
St. Petersburg-Clearwater, FL	\$43,500.92	+12.23%	+24.90%	+0.54%	+9.41%	-5.76%
Colorado Springs, CO	\$40,839.70	+6.87%	+6.80%	-7.31%	+13.55%	+7.57%
Chapel Hill, NC	\$47,131.02	+14.85%	+36.84%	-9.86%	+11.41%	+12.55%
Austin, TX	\$41,464.10	+0.67%	+5.44%	-11.67%	+6.82%	+1.07%
Mobile, AL	\$39,720.10	+6.36%	-6.80%	-4.27%	+0.45%	-16.52%

*Source: CNNMoney.com using ACCRA 2007 data*

### Infrastructure

Tyler’s economic growth depends on the provision of adequate transportation infrastructure that allows goods and people to travel quickly and work with up-to-date information. The city’s infrastructure includes major highways, U.S. 69 and U.S. 271, which provide good connections to Interstate 20, a major east-west transportation corridor that lies five miles north of Tyler. Loop 323, a four-to-six lane highway, encircles the city and serves as the major intracity route for passenger cars and trucks. A new, outer loop, limited-access highway, Loop 49, will connect with I-20 in the Lindale city limits, eventually extending around the city and reconnecting with I-20 east of Tyler. A portion of Loop 49 opened in 2006 off South Broadway Avenue as a two-lane toll road and the entire Loop is expected to be completed in 2012. Plans advanced by the North East Texas Regional Mobility Authority (NETRMA) also include a proposed “hourglass” connection to Longview in the long term.

The Tyler Pounds Regional Airport operates to the west of the city off of State Highway 64. This airport has three runways, the largest 7,200 feet in length. Passenger service is available daily on regional jets operated by American Airlines (American Eagle) and Continental Airlines (Colgan Air). The five daily American Airlines flights go to Dallas-Fort Worth International Airport and the six daily Continental Flights go to Houston International Airport. Tyler Pounds also has two private operators, Johnson Aviation and the Jet Center of Tyler. More commercial flights would benefit Tyler and proposed economic development strategies involving the airport have included runway extension to handle larger planes and establishing more daily commercial flights.

Tyler has a communications network that provides high-speed data access to businesses and residents. Twenty Internet service providers operate in the city and offer a range of connection types. Two community groups are working to expand Tyler’s communications infrastructure to assist economic development: the Tyler Chamber of Commerce has organized a Technology Committee, and Connect Tyler, a non-profit organization, is working on developing a high-speed communications network that may include citywide Wi-Fi access.



Tyler Pounds Regional Airport.  
(Photo: Butler Planning Services)

Tyler’s water and sewer facilities and services are discussed at greater length in the plan chapter on public facilities, including extension of infrastructure to serve future growth.

### Taxes

One of Tyler’s major economic attractions is its low tax rate. Texas has no state income tax, and Tyler’s city leadership has made a commitment to keep property taxes low. Tyler’s tax rate is the lowest of all mid- to large-sized cities in Texas. In a FY 2007 survey, the Texas Municipal League found that cities with a population over 100,000 had an average tax rate of \$0.5715 per \$100 of valuation, or more than twice Tyler’s rate of \$0.2237. Tyler’s tax rate also was lower than the tax rate of all Texas cities with a population between 15,000 and 100,000. Tax rates for the City of Tyler have decreased by over 57% since 1996, when the City taxed at a rate of \$0.5153 per \$100 of property valuation. Maintaining a low tax rate is a continued goal for the City, as it hopes to attract new businesses and residents by its affordability.

TYLER AD VALOREM TAX RATE (2006)	
TAXING ENTITY	TAX RATE (PER \$100 OF VALUATION)
City of Tyler	\$0.2237
Smith County	\$0.2683
Tyler Independent School District (T.I.S.D.)	\$1.4880
Tyler Junior College	\$0.1272
<b>Total</b>	<b>\$2.1072</b>

Source: Tyler EDC

The City of Tyler sustains a low ad valorem tax rate by using sales tax receipts to fund many capital projects, which reduces the future need to issue general obligation debt. As a result of this practice, the City is on schedule to pay off all of its general obligation or tax supported debt in 2008. Tyler voters adopted a 0.5%, or “Half Cent Tax,” in 1995. Revenues from the sales tax may be used to fund a variety of municipal improvements, such as the purchase of land and construction of new facilities, but at City Council discretion also can be used for economic development projects that promote business retention or expansion. By resolution, the City Council has set clear policy for use of the Half Cent Tax that is consistent with a covenant with the voters in the 1995 election to reduce the property tax rate, eliminate tax-supported debt, and pay for City infrastructure on a pay-as-

you-go basis. Subsequent City Councils have reaffirmed this policy by resolution in more recent years.

The Half Cent Tax may be used to fund projects that are located outside of a municipality's city limits, as long as it can be demonstrated that the project will provide direct municipal benefits and the governing body with jurisdiction in that area approves the project. This includes projects that may occur in a city's extraterritorial jurisdiction (ETJ). For example, the City of Tyler may use the Half Cent Tax to fund a project within its five-mile ETJ if the project is also approved by Smith County.

In 2006, the City of Tyler's sales tax totaled 1.5% on particular goods sold within the city (groceries, medicine, land for resale, and farm and manufacturing equipment are exempt from taxation by state law). The total sales tax rate in Tyler was 8.25%, comprised of the city tax, the state sales tax rate of 6.25%, and Smith County's sales tax rate of 0.5%. In 2006, the state returned over \$33 million in total sales tax revenues to Tyler. Comparable or increased revenues appear possible for 2007, as the city is estimated to have earned over \$17.5 million in total sales tax revenues for the first half of 2007. Approximately \$10 million of sales tax revenues are available each year for Half Cent Tax projects.

Since the mid-1990s, the City has used the Half Cent Tax to fund a variety of projects, including:

- Construction of the new terminal building at Tyler Pounds Regional Airport
- Numerous street improvements, such as those along Grande Boulevard, Cumberland Road, Rice Road, and Martin Luther King, Jr. Boulevard
- Drainage improvements along West Mud, Black Fork, and Shackleford creeks
- The construction of Faulkner and Children's parks
- The expansion of the main police station on West Ferguson Street.

The City has programmed major critical infrastructure projects using the Half Cent Tax capacity for the foreseeable future. The Tyler City Council and the Half Cent Tax Board prioritize proposed projects and determine needed funding. In 2007, the City has a number of new infrastructure projects planned that will promote local economic development, including highway, drainage, and public safety improvements.

### **Retail Trade and Consumer Services**

Tyler's retail sector serves a multi-county region that makes it among the top 75 markets in the country. Because economic statistics for Tyler are almost always based on the MSA – Smith County alone – the importance of the city's economic role as a retail magnet often goes unremarked and is poorly understood. In 2005, the city captured almost 80% of the shopping-center inclined retail sales within a 30-minute drive time to downtown Tyler. In addition, Tyler's shopping-center inclined retail sales (apparel, books, music, restaurants, and so on) are over 2.5 times what would be expected of Tyler residents' buying power. In 2005, Tyler's retail sales per capita exceeded that of the state and surrounding counties. Tyler retail sales represent almost 50% of the retail expenditure potential for a ten-county area. This means that residents from surrounding counties—particularly those in the more rural areas to the south and east of Smith County—routinely patron-

ize Tyler businesses. Because Tyler has a very low property tax rate, it is especially dependent on sales tax, making continued support of the city’s regional role as a retail center central to the continued well-being of the community.

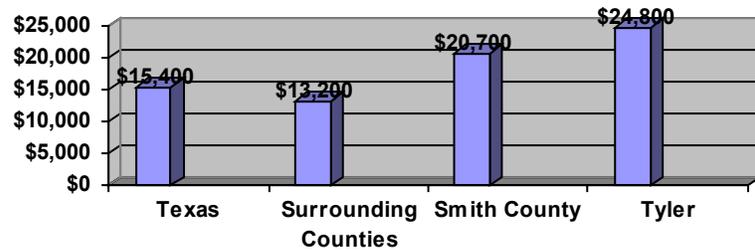
Retail trade in Tyler is located primarily along South Broadway Avenue and portions of Loop 323. Important commercial districts in Tyler include:

- South Broadway Avenue and Loop 323
- South Broadway Avenue between Rice Road and Grande Boulevard
- Troup Highway and Loop 323
- Bergfeld Center at South Broadway Avenue and Fifth Street
- Downtown Tyler (the Central Business District)



Broadway Square Mall

Retail Sales Per Capita (2005)



Source: ZHA and Sales, Marketing, and Management (2005)

According to the 2006 Burns and Noble Retail Market Survey, Tyler has over 3,000,000 square feet of retail space, including the 622,980 square-foot Broadway Square Mall. The 2006 survey found 40 multi-tenant strip shopping centers in Tyler with a combined total of almost 2,500,000 million square feet of retail space. This figure does not include shopping centers with a single tenant, such as Wal-Mart and Target. Total occupancy in 2006 was 91.8%, a slight decrease from 2005. Most of the larger shopping centers along South Broadway Avenue have occupancy rates of 90% or above and include national chain anchors. Average annual rents range from \$5.65 to \$26.00 per square foot, with the highest rents applying in relatively new strip centers located just south of the intersection of South Broadway Avenue and Loop 323. The highest-rent centers generally are sized under 100,000 square feet.

MULTI-TENANT RETAIL SHOPPING CENTERS IN TYLER (2006)				
NAME	SQUARE FEET	OCCUPAN- CY RATE	AVERAGE AN- NUAL RENT	ANCHORS
<b>LARGEST CENTERS</b>				
<b>Bergfeld Center</b>	215,000	99%	\$9.25-\$12.50	Brookshire’s, Luby’s, CVS
<b>Green Acres</b>	154,219	83%	\$7.00-\$12.00	Dollar General, Sav-On, Lack’s Furniture
<b>Southpark Center</b>	146,096	99%	\$14.00	Albertson’s, Beall’s
<b>French Quarter</b>	141,220	96%	\$10.00-\$18.00	Pier One, Hancock Fabrics, Blockbuster

MULTI-TENANT RETAIL SHOPPING CENTERS IN TYLER (2006)				
<b>Broadway Crossing</b>	135,151	100%	\$12.00	Best Buy, PetSmart, Goody's, Marshall's, Drug Emporium
<b>1909 SE Loop 323</b>	108,300	60%	\$7.00	Hobby Lobby
HIGHEST-RENT CENTERS				
<b>Shoppes on Broadway</b>	13,500	85%	\$26.00	Hollywood Video, Verizon, Citizen's National Bank
<b>Broadway Market Center</b>	94,000	100%	\$23.75	Linens-N-Things, Ross
<b>Pavilion Center</b>	30,670	100%	\$20.00	Circuit City, Barnes and Noble, CVS
<b>Lindale Corners</b>	19,512	56%	\$18.00	Cato, China Buffet, Check-N-Go
<b>French Quarter</b>	141,220	96%	\$10.00-\$18.00	Pier One, Hancock Fabrics, Blockbuster

*Source: Burns and Noble Retail Market Survey (2006)*



*New retail near Loop 49*

In 2006, over 115,000 square feet of new retail space was constructed in Tyler, and the market absorbed over 96,000 square feet, more than double the absorption level total for 2005. Major retailers that opened in 2006 include Wal-Mart Supercenter on

Troup Highway and Gander Mountain, located near the intersection of South Broadway Avenue and the new Loop 49.

Tyler can expect to grow as a regional retail center, as economic forecasts estimate that the city can support an additional 520,000-580,000 square feet of shopping-center inclined retail from 2006-2011, with an annual absorption rate of 105,000-117,000 square feet per year. New retail will include traditional strip centers with national chain anchors and businesses built as part of new mixed-use centers along South Broadway Avenue and Old Jacksonville Road.

### Manufacturing and Processing

The TEDC 2006 Manufacturers and Processors Directory for Smith County found 181 companies with over 12,000 employees. This list shows considerable diversity within the manufacturing and processing categories in the Tyler region. A number of small machinery, equipment and instrument manufacturers account for one-fifth of the companies but 40% of the employees. Three manufacturing companies and two meat processors are among the top twenty employers in the Tyler MSA. Heavy industry in the Tyler area is



<b>SMITH COUNTY MANUFACTURERS AND PROCESSORS 2006</b>				
<b>PRODUCT</b>	<b>TOTAL COMPANIES</b>	<b>TOTAL EMPLOYEES</b>	<b>PERCENT OF SURVEYED COMPANIES</b>	<b>PERCENT OF TOTAL EMPLOYEES</b>
<b>Food</b>	15	1,407	8.3%	11.3%
<b>Textile, apparel</b>	3	115	1.7%	0.9%
<b>Lumber, wood, paper</b>	21	598	11.6%	4.8%
<b>Chemicals, drugs</b>	8	130	4.4%	1.0%
<b>Petroleum, refining</b>	6	389	3.3%	3.1%
<b>Rubber, plastics</b>	12	1,805	6.6%	14.5%
<b>Stone, clay, glass, concrete</b>	16	550	8.8%	4.4%
<b>Primary and fabricated metals</b>	39	1,741	21.5%	14.0%
<b>Machinery, equipment, instruments</b>	40	5,097	22.1%	41.0%
<b>Miscellaneous</b>	21	611	11.6%	4.9%
<b>TOTAL</b>	<b>181</b>	<b>12,443</b>	<b>100.0%</b>	<b>100.0%</b>

*Source: Tyler EDC*

primarily represented by the Delek oil refinery in the northeast quadrant of the city, Tyler Pipe on U.S. 69N in Swan, and the Trane and Carrier manufacturing plants.

The TEDC owns the Tyler Industrial and Business Park located in West Tyler on the eastern side of Loop 323 between Shaw Street and Walton Road. This industrial park was created on land donated to the TEDC in 1994 and is home to a range of tenants, including Carrier, Aramark, Tyler Junior College (West Campus), Southwestern Bell, SuddenLink, and Federal Express. Several development sites remain available in 2007, and the attractiveness of this complex should be enhanced by future road improvements, including the Sunnybrook Drive Extension which will run through the southern portion of the park and provide an east-west connector between Loop 323 and Vine Avenue. The Fantus Company, an industrial locational services company, estimates that this industrial park may not contain enough developable acreage to meet Tyler's future industrial needs. Another industrial park, Pointe North, is located on north Loop 323 near the intersection with U.S. 69.

### **Warehousing and Distribution**

Tyler has several large warehouse and distribution centers. Brookshire's has its headquarters and distribution center in Tyler on southwest Loop 323. Outside of the city limits, just off I-20 in Lindale, Target located a large regional distribution center in 2006.

### **Office Market**

Each year, Burns and Noble Commercial Real Estate conducts a survey of the Tyler area office market. Burns and Noble determines total office space, occupancy rates, and availability in the Tyler area and makes market forecasts. This survey distinguishes between offices in Tyler's central business district (CBD) and its suburban office market located along South Broadway Avenue and Loop 323.

TYLER OFFICE MARKET (2000-2006)		
YEAR	OCCUPANCY RATE	AVERAGE ANNUAL RENTS PER SQUARE FOOT
2000	85%	\$11.12
2001	86%	\$11.40
2002	88%	\$11.36
2003	89%	\$11.61
2004	90%	\$11.81
2005	88%	\$12.10
2006	88%	\$12.26

*Source: Burns and Noble Office Market Survey (2006)*

Despite rising energy and insurance costs, Tyler’s office market experienced growth in 2006, and this is expected to continue in 2007. In September 2006, the city had 49 office buildings containing 2.05 million square feet of space and an occupancy rate of 88.3%. The average annual rental rate for office space was \$12.26 per square foot. These numbers represent important market improvement for 2005-2006, during which time Tyler’s office market saw the construction of four new office buildings and absorbed over 75,000 square feet of new space.

Tyler’s suburban office market does considerably better than its CBD office space, primarily because the buildings are newer

and located closer to Loop 323 and South Broadway Avenue, the city’s major business area. In 2006, the South Tyler market had 32 office buildings containing 1,229,155 square feet of space and a 90.2% occupancy rate. Annual rents averaged \$12.71 per square foot. During the same time, Tyler’s CBD office market, which includes buildings north of Houston Street, had 823,640 square feet in 17 buildings, an occupancy rate of 85.5%, and an average annual rent of \$11.44 per square foot. Between 2005 and 2006, the CBD office market saw its occupancy rate improve by two percentage points.

Office buildings typically are categorized as Class A, Class B, or Class C buildings. Class A buildings are those defined by the Urban Land Institute as having excellent location and access, being constructed of high-quality materials, and having professional management and high-quality tenants. Classes B and C are defined in relation to Class A: Class B office buildings are “good” as opposed to “excellent,” have little functional obsolescence and deterioration, and are often former Class A buildings; and Class C buildings are usually 12 to 25 years old, but still have reasonably high occupancy rates. Tyler’s entire office market has eight Class A buildings, 28 Class B buildings, and 13 Class C buildings that were included in Burns and Noble’s survey. The Class A buildings tend to be located near the Loop 323-South Broadway intersection and have rents that are much higher than



*Class A office space on Loop 323*

the market average. Class B office buildings also generally are suburban in nature and include the majority of the vacant office space found in Tyler. With the exception of the Tyler Town Center and the Fair Foundation Building, Tyler’s Class C office space tends to be smaller buildings. Class C buildings are scattered throughout the entire market, and seven of them are located in the CBD. In 2006, Tyler’s Class A office space was 93% occupied and had an average annual rent of \$15.19 per square foot; Class B office space was 84.6% occupied and rented for \$12.20 per square foot; and Class C office space was 86.2% occupied and rented for \$10.45 per square foot.

CLASS A OFFICE SPACE IN TYLER (2006)				
NAME OF BUILDING	ADDRESS	SQUARE FOOTAGE	OCCUPANCY RATE	AVERAGE ANNUAL RENT
<b>CBD</b>				
<b>First Place</b>	100 East Ferguson Street	187,060	95%	\$13.50-\$14.50
<b>Plaza Tower</b>	110 North College Street	214,933	88%	\$14.00-\$14.50
<b>SUBURBAN</b>				
<b>1 American Center</b>	909 ESE Loop 323	114,344	100%	\$14.50-\$15.00
<b>2 American Center</b>	821 ESE Loop 323	94,017	83%	\$14.50
<b>Grande Centre</b>	6101 South Broadway	90,514	98%	\$18.50
<b>Southeast Center</b>	3301 Troup Highway	38,757	90%	\$15.00-\$18.00
<b>Herd Building</b>	3901 Manhattan Drive	29,184	100%	\$16.00
<b>Hibbs Financial Center</b>	501 Shelley Drive	58,531	100%	\$13.00

*Source: Burns and Noble Office Market Survey (2006)*

### “Eds and Meds” – the Medical and Educational Sectors

Tyler is a regional center for medical services and higher education, and the increasing importance of these sectors has brought more attention to their local and regional economic role. One of the important aspects of educational and medical institutions is that they are not as mobile as private employers and thus have a deeper investment in the welfare of the community in which they are located. On the other hand, the amenities that “eds and meds” provide in a community can make it attractive to a high-quality labor force and many firms choose locations according to where their preferred labor force lives.



*The University of Texas at Tyler*



*East Texas Medical Center*



*Trinity Mother Frances Hospital*

Tyler's two private medical centers, the East Texas Medical Center (ETMC) and Trinity Mother Frances Health System (TMF), have created a cluster of healthcare-related services and businesses concentrated between East Front Street, Beckham Avenue, and East Fifth Street. Both health systems serve a region of about one million people in East Texas, who can come to Tyler – rather than traveling to Dallas or Houston – for an increasing number of sophisticated health care services. In addition to drawing patients from the region, the hospitals' presence in Tyler attracts highly trained employees and retirees looking for a community with good health services. However, although the hospitals have an interest in consolidating and improving their main campuses, they are also investing in facilities to bring health care into the region. Both hospitals have satellite facilities in South Tyler and in smaller cities such as Lindale, Canton, and Whitehouse. Representatives of both hospitals mentioned that providing emergency room care for the uninsured is reaching crisis proportions. Tyler's third medical center is a public, University of Texas facility specializing in respiratory diseases, reflecting its origin as a tuberculosis sanitarium. The University of Texas Health Center at Tyler is located outside of the city limits but within the ETJ at the intersection of U.S. Highway 271 and State Highway 155. The UT Health Center is partnering with the TEDC to develop a Biomedical Research Park adjacent to the Health Center that will include bioengineering, pharmaceutical, and medical companies, along with a business and research incubator. The Health Center is a teach-

ing hospital for family practice and respiratory specialties and is planning to open an educational center to train staff in allied health professions, ideally in downtown Tyler near the other two medical centers. TMF and ETMC are the top two employers in the Tyler area and the UT Health Center is the sixth-largest employer.

Tyler's three higher education institutions are Tyler Junior College, with an enrollment of approximately 11,000; the University of Texas at Tyler, which began as an upper-division two-year institution and is now a four-year institution with more than 6,000 students; and Texas College, an historically-black college with an enrollment of approximately 900. Although TJC, like most junior colleges, primarily serves its region, it has developed some national programs, such as its tennis team, that attract students from elsewhere, including from overseas. UT-Tyler, which is developing a focus on engineering education, and Texas College, whose students formerly came from the immediate region, now attract students from outside the Tyler area.



*Tyler Junior College*



*University of Texas Health Center at Tyler*

A recent study evaluated the impact of educational and medical institutions on metropolitan economic development.<sup>1</sup> Comparing 2000 census data for 283 metropolitan areas, the study found that Tyler ranked at 240 in the extent of the concentration of education institutions. In contrast, it ranked at 19 for medical institutions (Rochester, MN, home of the Mayo Clinic, was number one in this list).

Educational and medical institutions can have a broad variety of positive impacts on local economies:

- **Export-base demand and multiplier effects on the community.** “Eds and meds” can bring new dollars into the economy by selling services to people outside the local economy or selling services to people who otherwise would go outside the local economy. When Tyler’s medical centers provide specialized services that patients otherwise would go to Dallas or Houston to obtain, they are performing a type of import substitution and bringing new money into the economy. However, health care consumers in general are not as mobile as students, and basic health care services would be avail-

<sup>1</sup> The discussion that follows is indebted to Timothy J. Bartik and George Erickcek, “Higher Education, the Health Care Industry and Metropolitan Regional Economic Development,” Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, February 2007 ([www.upjohninstitute.org](http://www.upjohninstitute.org)).

able from someone in the region in any case. Researchers have found that the annual impact of universities on a local economy, balancing modest export base percentages and multipliers, equals the university annual budget. The economic impact of medical institutions tends to be one-quarter to one-half the budget, with a higher multiplier than universities but a smaller export-base/important substitution role.

- **Human capital development.** The quality of local human capital is likely to improve over the long term with the expansion of educational and medical institutions, but is not easy to quantify. In the case of universities, if the graduates do not stay in the region, the human capital benefit goes elsewhere.
- **Amenity improvements.** Institutions can provide amenities themselves, such as attraction of arts and performances that otherwise would not come to the community, and they can increase the amenity level in the community because students and employees of the institutions create demand for production of amenities by others.
- **Research and development spillovers.** M.I.T. and Stanford provide the models for many communities hoping for transfer of technologies and economic innovation from universities to the economy. These are highly-specialized situations that cannot be replicated. Nonetheless, many universities have a broad and beneficial impact on the local community through collaborations and problem-solving across a number of economic areas. There is no evidence that medical centers or teaching hospitals play a similar role in creating research and development spillovers, but the topic has not been well-studied.
- **Entrepreneurship.** Greater local entrepreneurship rates are associated with a greater proportion of college graduates in the labor force and with local employment growth.
- **Model employer effects on the local labor market.** Educational institutions tend to pay less for the same worker characteristics than the average industry and medical institutions tend to pay more. (These differences are not driven by comparative wages for doctors and professors.) This means that expansion of medical institutions tends to bring higher-paying jobs – even for jobs requiring lower skills and education – than educational institutions.
- **Economic development leadership.** The consolidation and globalization of industries has resulted in a decline in the locally-based economic leadership more common in an earlier era: the owner of the local factory, bank, or department store. As a result, institutions and nonprofit organizations are playing a more visible role as economic development leaders.

### Tourism

Tyler attracts visitors throughout the year who come to visit the Caldwell Zoo and the Rose Garden. Concentrated periods of tourist visitation occur during the Azalea and Spring Flower Trail events, the Rose Festival, and the East Texas State Fair. The Tyler Convention and Visitors' Bureau estimates that the Azalea Trail has an economic impact of \$2.2 million on the city. The 50,000 square foot Harvey Convention Center is supplemented with additional



Caldwell Zoo

meeting space in the Rose Complex, and small hotel meeting rooms around the city. The relatively limited convention and meeting space in Tyler means that conventions and meetings tend to be relatively small, attracting a few hundred people at most.

## Economic Incentives and Programs

### Tax Abatements

One of the most important incentives for area business retention and development has been local tax abatements. Authorized by the state legislature, this incentive relieves businesses and industry of taxes on a portion of or all increase in the value of a property or capital investment after the date of the abatement agreement. The abatement does not apply to taxes on existing property, so no properties are taken off of the tax rolls. Instead, the financial incentive is designed to encourage businesses and industry to make new investments that will create jobs and increase property values.

In order to be eligible for local tax abatement, a business or industry must meet one of the following criteria:

- The new investment must have a capital cost (new plant and/or equipment) of at least \$1 million;
- The new annual payroll must be at least \$400,000; or
- At least 25 full-time new jobs must be created.

If a business or industry qualifies, the TEDC will negotiate an abatement contract with the company. These contract terms outline the percentage of taxes that will be abated in exchange for estimated benefits, such as the creation of new jobs. The abatement only can apply to City of Tyler, Smith County, and Tyler Junior College taxes. Under Texas law, taxes levied by an independent school district may not be included in abatements. For example, a company that proposed \$10 million in new investment in 2006 could have qualified for an abatement as follows:

2006 TAXES	
	RATE
City of Tyler	\$0.2237
Smith County	\$0.2683
Tyler Junior College	\$0.1272
<b>Total</b>	<b>\$0.6192</b>
$\$10,000,000 \times \$0.6192 = \$6,192,000 / 10 = \$61,920$ in abated taxes for 2006	

Tax abatement agreements include contracts to monitor performance, providing for annual review of a company's investment and job growth. If the terms of the contract are not met, the TEDC and local governments may reduce the allowed abatement by a percentage that relates to the percentage of the contract that has not been accomplished (e.g., if the business estimated that 20 new jobs would be created but only created ten, the abatement could be reduced by 50%). Limits also may be placed on total allowed abatements over the abatement term.

Since 1990, abatements primarily have gone to existing companies to keep their investment in the area. During this period, abatements were given to 31 projects undertaken by 23 companies. TEDC records show that abatements have been responsible for \$357.8 million in investment in new plants and equipment, 3.2 million square feet of new business space, the creation of 3,831 new jobs, and the retention of an additional 5,884 jobs. In 2006, abatements were given to eight continuing projects (i.e., under abatement agreements negotiated in earlier years) and to one new project.

### ***Former Tyler Industrial Foundation***

Remaining discretionary funds from the former Tyler Industrial Foundation are available for economic development as determined by TEDC. These remaining funds, once spent, do not have an ongoing funding source. However, the TEDC is a 501(c)(3) organization and has the capacity to raise private funding.

### ***Section 380 Economic Development Agreements***

Section 380 of the Texas Local Government Code permits municipalities to enter into agreements with developers to fund public improvements for economic development projects. Section 380 agreements have been subject to litigation, and in 2005, the Texas Constitution was amended by popular vote to clarify that these development agreements are constitutional. It also has been determined that these agreements may apply to projects in a city's extraterritorial jurisdiction (ETJ) and that bonds or sales tax revenues may be used to fund a Section 380 project.

Sales tax financing has proved popular with Texas municipalities, primarily because no ad valorem (property) tax revenues must be used and Section 380 agreements involving retail projects are not uncommon. Section 380 agreement terms vary according to project, but an agreement involving the use of sales tax revenue typically provides that a local government rebate future sales tax revenues generated by the project over a specific term (often a 20-year period) in return for the business undertaking agreed-upon actions or improvements. The development agreement will include a percentage of sales tax revenues that will be rebated annually, and a cap usually is placed on the total amount of sales tax rebates a developer can receive. The agreement also may contain a project completion date and a requirement that incentives only will be paid when the project is operational. Other terms and conditions may be set—some relating to the design of the project, if desired—and the tax rebate usually is tied to the fulfillment of contract terms. If a developer fails to meet these terms, the municipality may reduce the tax rebate by a proportional percentage.

Section 380 agreements do not have to be retail projects and can involve a variety of activities, as long as they meet the general goal of promoting economic development. As of 2007, the City of Tyler has not entered into any Section 380 agreements.

### ***Tax Increment Financing***

Tax increment financing (TIF) is another economic tool authorized by the Texas legislature. A community can use TIF to finance new buildings and infrastructure within a designated development area, typically to attract new business development. Under TIF, a local government establishes a project area and “freezes” the taxes in the area at the

rate of the year in which the TIF project originates. This “freeze” will last for a designated period. As the project is constructed and its appraisal value increases, the new taxes owed will be used to finance public improvements in the form of site improvements and development costs. Ideally, these public improvements will induce new private investment. The local government usually uses a bond to pay for project development and then assigns the new taxes collected (the “tax increment”) to pay off the bond. Once the bond is paid off (or the TIF period expires), the property with the new development will be returned to the tax rolls at the prevailing tax rate.



*Tyler Junior College – West Campus*

Tyler has used a TIF to fund one major project and has begun the process to create a TIF district for downtown. In 1998, Tyler Junior College entered into an agreement with the City to establish a TIF district on Loop 323 in West Tyler and construct a new campus devoted primarily to workforce development and continuing education. This project has been successful, as it has exceeded the projected growth rate and provided revenues that will enable the City to pay off the bond early.

### **Enterprise Zones**

Established under a federal program, Enterprise Zones are a state economic development program that applies to areas that have high poverty and unemployment rates. This program is designed to promote job creation, workforce development, and economic revitalization by giving benefits to businesses that agree to locate within or near a designated Census block (“Enterprise Zone”) that had a 20% or greater rate of poverty in the 2000 Census. Enterprise Zone benefits primarily target new business or industry, but it also is possible to receive benefits for business retention. Companies can receive up to \$7,500 in benefits for each new primary job created, depending on the level of associated capital investment. Under state law, Enterprise Zones automatically qualify as areas for local tax abatement and tax increment financing, which provides additional incentives for new business development.

In order to qualify for the Enterprise Zone benefit in Tyler, a business or industry must:

- Incur and meet capital investment costs within a five year period; and
- Locate within or near a designated Enterprise Zone area and commit to hiring a specified percentage (25% or 35%, depending on business location) of residents who live in the area or economically-disadvantaged residents who live throughout the city.

Tyler’s three Enterprise Zones include the area around the Tyler Industrial/Business Park in West Tyler, an area that begins at the Target Distribution Center on I-20 and stretches down U.S. 69 to North Tyler, and an area that includes neighborhoods in northeast Tyler and extends up U.S. 271 to the East Texas Center, an industrial park located outside the city limits along I-20 between State Highway 155 and U.S. 271. Originally, state legislation mandated that businesses hire a percentage of economically-disadvantaged residents from these Enterprise Zone areas, but recent law permits the hiring of economically-disadvantaged residents who live throughout Tyler.

### ***Revolving Loan Fund***

Smith County offers a revolving business loan fund that is administered by the Tyler Economic Development Council. Businesses and industries that create or retain jobs in the Tyler-Smith County area and produce goods or services that primarily are marketed to areas outside of Smith County are eligible to receive a loan that ranges from \$50,000 to \$200,000. The loan rate will be at or above prevailing market rates, and the term will relate to the life of the assets financed. The maximum loan term is 25 years. Loan funds may be used to purchase land, machinery/equipment, and buildings and also may be applied to land development and pollution control measures. Twenty-one businesses have received Smith County Revolving Loan Funds, including John Soules Foods, Texas Software Development, and Benchmark Manufacturing.

### ***Texas Emerging Technology Fund***

In 2005, Texas established the Emerging Technology Fund, which offers financing for research and technology companies that will create new, high-quality jobs in the state. Businesses eligible for these monies include computer software, biotechnology, aerospace, medical, semiconductor manufacturing, energy, petroleum, and defense companies. Funds are administered and awarded by the state, and are allocated with an eye to creating regional innovation centers that will promote research and development activities, workforce development, and business incubators.

Tyler has received Emerging Technology Fund monies to support a new Indoor Environmental Quality and Energy Institute developed through a partnership between UT-Tyler, UTHCT, UT-Dallas, UT-Austin, the Tyler Economic Development Council, the Tyler Area Chamber of Commerce, and Tyler air conditioner manufacturers Trane and Carrier. This program will study indoor air quality in a hot, humid climate and develop products that will reduce energy usage and lead to improved indoor environments. Future plans for the institute include a facility in the proposed Biomedical Research Park located near the University of Texas Health Center at Tyler.

### ***Texas Enterprise Fund***

The Texas Enterprise Fund provides economic development monies to attract major businesses to or retain major businesses in Texas. Funds are used as incentives in competitive situations and must be approved by the Governor, Lieutenant Governor, and Speaker of the House. Tyler has not had any projects that qualify for Enterprise Fund monies, but this remains an incentive that could be used for future economic development.

### ***Workforce Development***

The Texas Workforce Commission administers the Skills Development Fund (SDF), a program which provides financial assistance to businesses that seek to create job training opportunities. In order to apply, a business must partner with a local community/technical college or community organization that works with one of these colleges. The fund allots an average of \$1,000 per worker for job training, but the total amount awarded may be limited to \$500,000 per business. In Tyler, SDF monies are administered by the Corporate Services Department of Tyler Junior College. TJC provides classes for employees in specific job areas, including computer use, languages, sales, and management skills. Approximately \$5-\$6 million for skill training has been awarded to more than ten local employers through this program.

## B. Recommendations

### **GOAL:**

#### **1. Continue to foster a business-friendly environment.**

Tyler has worked hard to create a business-friendly environment in recent years. Low property taxes, a streamlined development process, numerous infrastructure improvements funded by the Half Cent Sales Tax program, and regular consultation with the business community are the hallmarks of the city's business policies.

### **ACTIONS:**

**1a. Continue institutionalized policy and covenant to use the Half Cent Sales Tax to maintain low taxes, eliminate tax-supported debt, and fund capital projects on a pay-as-you-go basis.**

**1b. Continue collaboration with the County and other regional partners.**

**1c. Develop guidelines for potential City-related incentives for business retention and expansion.**

The City is in the process of developing business and economic development guidelines as a baseline indication of potential incentives available for TEDC to use in recruiting and retaining core industry and jobs. Section 380 agreements are extremely flexible instruments that can be tailored to the economic development needs of both business and government. Because public improvements are the most important incentive available to the City in an environment where taxes are already low and permitting has been streamlined, judicious use of TIFs, Section 380 agreements, and other tools can help the City take a more proactive role in economic development.

### **GOAL:**

#### **2. Continue to promote a diversified economy.**

### **ACTIONS:**

**2a. Continue incentives for industry expansion and job creation.**

The state of Texas has few good incentive programs for job retention. A major mission of the TEDC is job retention. Flexible funding that can be used for equipment, job training, and other job retention activities is needed.

**2b. Aggressively pursue industry recruitment and expansion efforts.**

The Chamber, TEDC and the City can work together to create a priority list of destination businesses, create a strategy to attract them, and then implement that strategy.

**2c. Continue to work with TJC and UT-Tyler on workforce development.**

TJC is already deeply involved in workforce development. This is another area in which the state is not as strong as in others. Local efforts are important to increase the quality of human capital, assist local businesses in finding qualified workers, and smooth transitions within the workforce.

**2d. Continue and expand support for tourism.**

The Azalea Trail and the Rose Festival bring tourists to Tyler and small conventions also bring visitors. However, limitations in meeting space constrain the potential for more conventions and the City's lodging options are business-oriented rather than leisure-oriented. More organized attention to heritage and cultural tourism can attract visitors who typically spend more money and stay longer than average tourists.

**GOAL:**

**3. Establish Tyler's identity as a regional market leader for retail, medical services, and higher education.**

**ACTIONS:**

**3a. Establish Tyler's identity as one of the top 75 regional markets for retail and medical services.**

Getting the word out about Tyler's role in the East Texas market requires creating a data package, including examples of how retail openings in Tyler have set state and national records, that explains how Tyler's economic importance extends far beyond the Tyler MSA/Smith County market and creating that new market identity in the minds of the business world. This is also a way to establish the East Texas economic identity in distinction to the three major growth areas that have been identified in Texas: Dallas-Fort Worth; Austin-San Antonio; and Houston. TEDC, which already has a strong data collection role, could collaborate with UT-Tyler to provide regional economic data and economic analysis to provide a bigger market identity for the Tyler area.

**GOAL:**

**4. Encourage international partnerships for future economic development.**

**ACTIONS:**

**4a. Build on existing relationships.**

Tyler has already begun to develop an economic development-based relationship with its South Korean Friendship City Asan, home of Samsung and Hyundai, with an exchange of visits. In logistical terms, Tyler is well positioned as a linkage point between the U.S. southwest and the Midwest/East.

**GOAL:**

**5. Provide physical and social infrastructure to support economic development.**

**ACTIONS:**

**5a. Ensure completion of Loop 49.**

Loop 49 will provide more transportation capacity and the intersections will provide logical development clusters for future growth. The City should continue to support the RMA as it works toward timely completion of Loop 49.

**5b. Extend utility services and facilities to serve underutilized and strategic growth corridors.**

**5c. Work towards a next generation plan for the public school system.**

An excellent public education system is one of the foundations of economic growth. It produces a well-educated work force and it attracts a well-educated work force. The elementary school building and improvement program is progressing well. The next step is to focus on funding improvements to middle- and high-school facilities. In addition to facilities, it is also important to continue improving school performance.

**GOAL:****6. Protect and enhance Tyler's road, air and rail networks, facilities and services.****ACTIONS:****6a. Work to get more commercial flights from Tyler.**

More and better air service requires persuading the air carriers that it is economically supportable. The City is already experimenting with incentives for new service in and out of Tyler Pounds Regional Airport. TEDC or another Tyler group could sponsor a study of the market potential for additional service.

**6b. Protect the potential for airport expansion.**

Many airports are surrounded by industry and distribution centers, but land has to be protected for those uses and for airport expansion. Because the Tyler airport is located outside the city limits, the land around it is not subject to zoning and residential encroachment on potential expansion and industry space is a concern. In order to gain more control over development around the airport the City could acquire land for potential expansion, the City could annex land at the airport and zone it appropriately, or another entity, such as the TEDC, could land bank property near the airport both for expansion and for creation of a logistics center or business/industrial park.

**6c. Retain rail service and look ahead for long-range connectivity – high-speed or commuter rail.**

Tyler should support continuation of rail service to ensure that the city remains in the national rail network. Passenger service is not available today in Tyler. Future high-speed or commuter rail service is likely to be close to the I-20 corridor, unless Tyler develops clusters of compact, higher-density, “transit-ready” areas, as recommended in other elements of this plan.

**GOAL:****7. Continue to lead regional coordination for legislative support.****ACTION:****7a. Continue to work with other East Texas cities and counties for state visibility.**

As the largest community and center of economic activity in East Texas, Tyler's leadership is important to establish strong visibility for East Texas and the region's needs in the state legislature. Important decisions on transportation and water supply will be made in the next twenty years and Tyler can help ensure that East Texas receives proper consideration.

