

2012

Marble Falls, Texas Target Sector Analysis



Prepared for
**Marble Falls Economic Development
Corporation**

by

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Introduction

This target industry analysis aims to provide a baseline understanding for opportunities within Marble Falls EDC's business recruitment activities. This analysis is organized around two underlying assumptions for economic growth in Marble Falls:

[1] Trends within the wider Central Texas region's economy influence local opportunities.

[2] Pursuing niche opportunities will advance the local economy while preserving Marble Falls' quality of life.

The selection of target sectors is traditionally bound to an assessment of only a few determinant factors, such as access to an available workforce, industrial sites, and incentives. The findings in this target industry study are not based solely on these issues, but also on a review of qualitative background information provided by the Marble Falls EDC, our knowledge of trends within the region and nation, and an analysis of employment data.

Using a strategic lens, we compiled a list of potential target sectors. The list also included sectors that complement regional trends and initiatives or can capitalize on specific strengths in Marble Falls.



This *Target Sector Analysis* has identified the following potential targets for the EDC's business recruitment efforts.

- Medical office
- Entrepreneurship / tech services (Zoomers)
- Light manufacturing (e.g., recreational equipment, building materials and supplies)
- Specialty distribution
- Sustainable agriculture and ranching
- Resort-related destinations and activities
- Niche retail

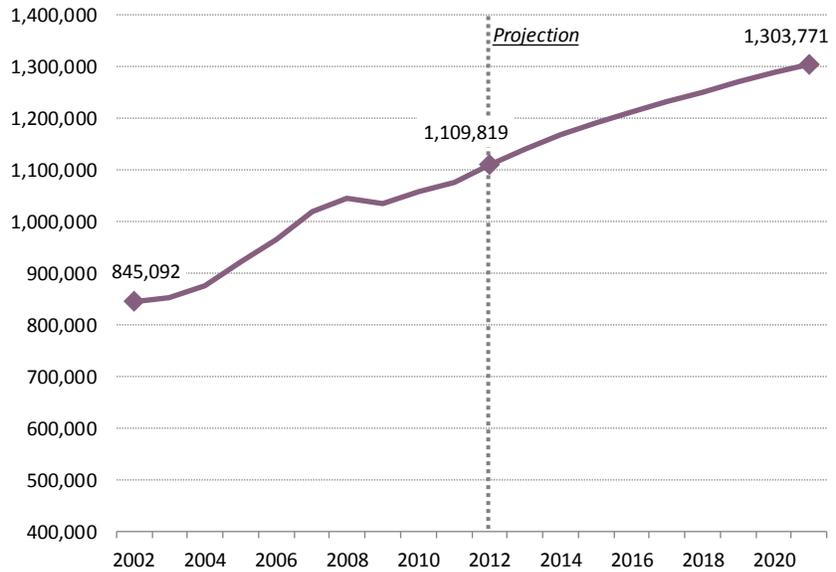
Additional detail regarding the definition and rationale for each target is included within this report.

Regional Employment Trends

The five-county Austin-Round Rock-San Marcos Metropolitan Statistical Area (Austin MSA) is comprised of Travis, Williamson, Hays, Bastrop, and Caldwell counties. Since the 1980s, the Austin MSA has evolved into an internationally recognized platform of innovation. As a result, the region has enjoyed nearly three decades of virtually uninterrupted employment growth. Since 2002, total employment within the metro area increased from approximately 845,000 to about 1.1 million today. This represents a 31 percent increase.

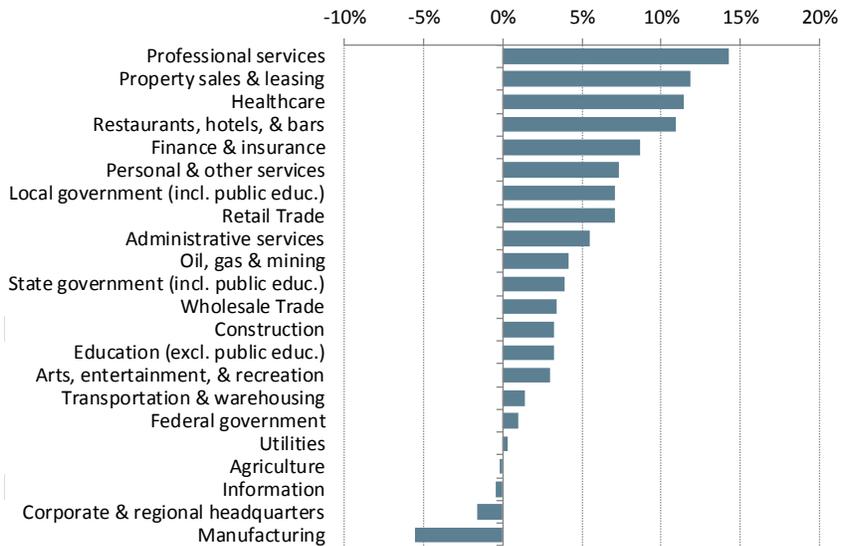
Of all new jobs created in the region, nearly 15 percent came from the professional services sector. This industry segment includes: legal, accounting, architectural, engineering, computer systems, design, and scientific research services. Other leading industries were indicative of a quickly growing population and are closely associated with servicing that growth. These included real estate, healthcare, finance and insurance, personal services, local government (largely public education), and retail trade.

AUSTIN MSA EMPLOYMENT TRENDS & PROJECTION



Source: EMSI Complete Employment - 2012.1

SHARE OF GROWTH BY INDUSTRY, 2002-2012

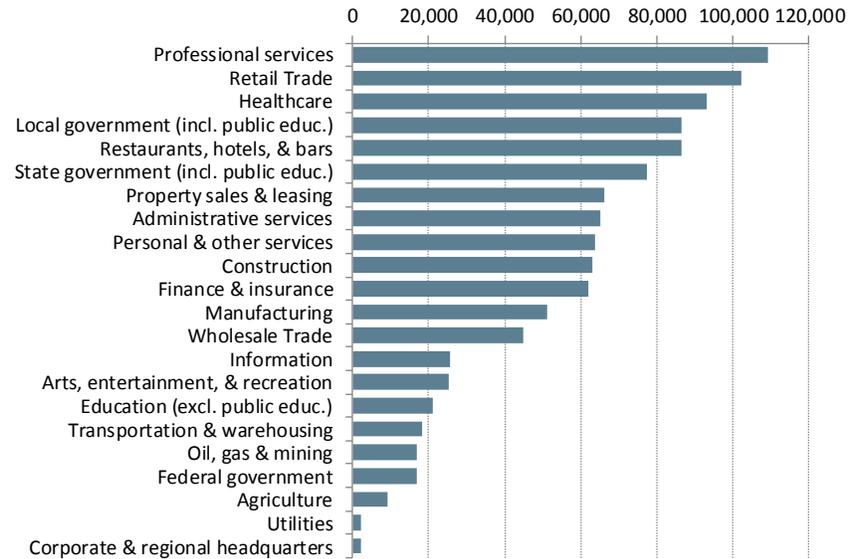


Source: EMSI Complete Employment - 2012.1

Professional services is not only the largest job creator, it is also the largest sector in the Austin MSA with total employment reaching about 110,000. Retail trade, health care, and local government are also large sectors within the region. By comparison, blue collar industries, such as manufacturing, transportation / warehousing, oil and gas, and agriculture combined employ only 95,000 workers in the region.

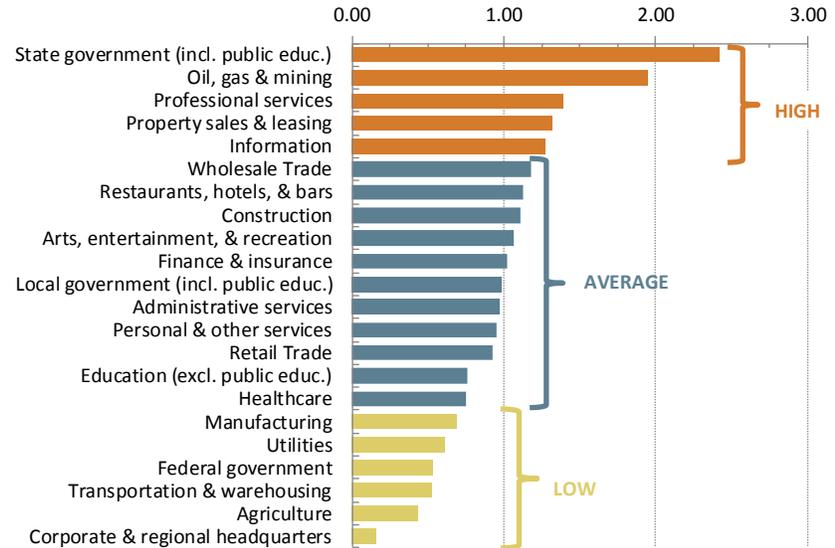
LQs are derived from a mathematical formula which compares regional employment rates to national norms. The Austin MSA's highest LQ (2.42) is in state government. This should come as no surprise due to Austin's status as the capital of Texas and home to the University of Texas. This figure implies that the region employs nearly two-and-a-half times as many state government workers than would be expected, given national employment rates. Other high LQs include oil and gas (in spite of low employment levels), professional services, real estate, and information. Notably, manufacturing and transportation / warehousing have low LQs in the metro area. Moreover, healthcare employment appears to remain relatively underrepresented in Central Texas.

AUSTIN MSA EMPLOYMENT BY INDUSTRY, 2012



Source: EMSI Complete Employment - 2012.1

AUSTIN MSA LOCATION QUOTIENTS, 2012



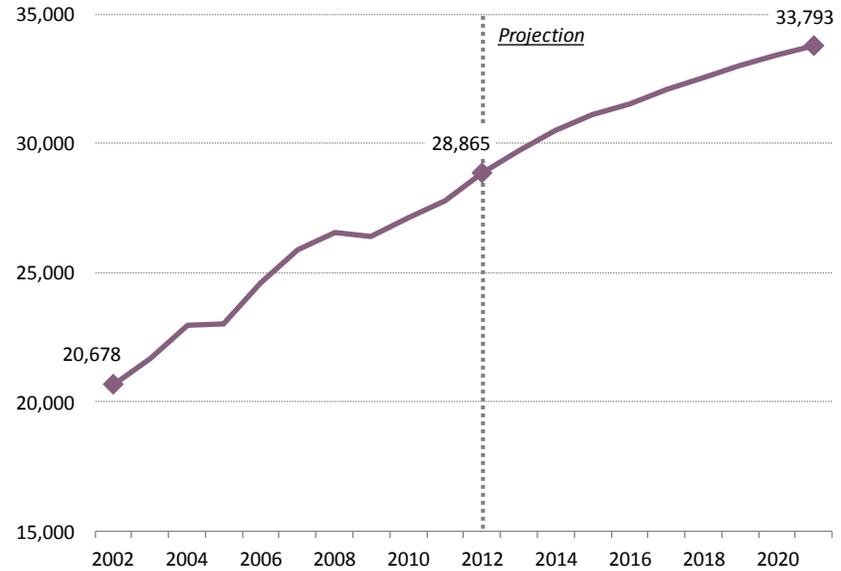
Source: EMSI Complete Employment - 2012.1

Local Employment Trends

The Marble Falls and Burnet County economy saw employment levels increase approximately 40 percent during the last ten years through the creation of approximately 8,200 jobs. Currently, EMSI estimates employment levels in Burnet County at almost 29,000 and provide a projection of almost 34,000 in ten years. Given that Marble Falls lies within the path of rapid growth into the Hill Country, this projection might be low.

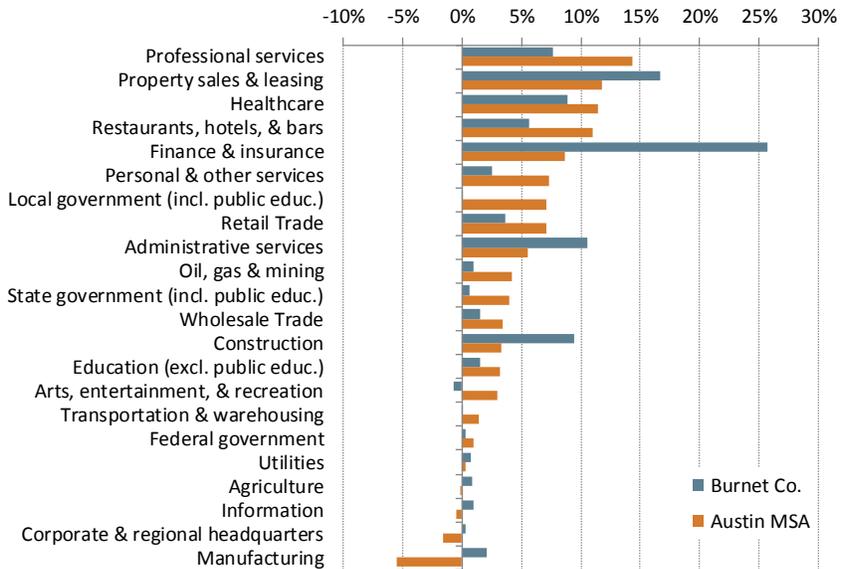
A comparison between Burnet County and the Austin MSA shows some similarities but also distinct differences, which are likely due to the disparity in size between the two economies. Finance and insurance was, far and away, the largest contributor to new jobs in the county, accounting for approximately one in four new positions. Real estate activities, such as construction and sales/leasing, accounted for an additional 25 percent. While the Austin MSA lost nearly 15,000 manufacturing jobs during the ten year span, Burnet County actually experienced a slight increase of 167 positions.

BURNET COUNTY EMPLOYMENT TRENDS & PROJECTION



Source: EMSI Complete Employment - 2012.1

SHARE OF TOTAL EMPLOYMENT CHANGE, 2002-2012



Source: EMSI Complete Employment - 2012.1

Regional Economic Development Trends

The Austin Chamber of Commerce, through the Opportunity Austin recruitment program, has listed the following targets for business attraction:

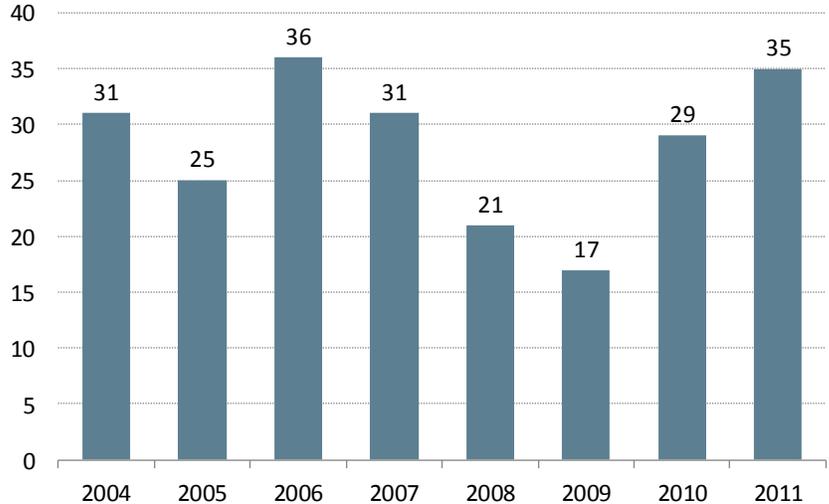
- Automotive technology
- Life sciences
- Clean energy technologies
- Creative media & consumer technology
- Convergent technology
- Data centers
- Semiconductor industry
- Wireless industry

From 2004 through 2011, the Austin Chamber of Commerce has tracked 225 companies that have relocated to the greater Austin region. During the 2008-2009 national recession, the number of relocations fell substantially. Over the last two years, however, relocations rose to pre-recessionary levels. The top three original locations for these companies were California (63 firms), Texas (50), or from abroad (27).

Among relocating companies, the largest number were classified as a headquarters or regional office. Digital media, software, and medical device/biosciences companies were other large contributors to the expansion of the Austin area's business base.

According to the Austin Chamber, the top ten list (next page) of relocations and/or expansions to the region over the last two years was dominated by internet-related companies, such as eBay/PayPal, Rackspace, LegalZoom, HostGator. Other major announcements included Samsung's \$3.6 billion expansion and the relocation of Hanger Orthopedic.

Number of Relocations to the Austin Region



SOURCE: Austin Chamber of Commerce

RELOCATIONS BY INDUSTRY SECTOR

Industry	# of Companies
Clean Tech	15
Data Center	8
Digital Media	31
HQ/Regional Office	36
Medical Device/Biosciences	23
Semiconductor	16
Software	29
Wireless	15
Other-IT	16
Other	36
TOTAL	225

TOP TEN RELOCATIONS/EXPANSIONS, 2010-2011

Company	Type of Operation	Year	Jobs	Type of Action
eBay/PayPal	e-commerce business operations center	2011	1,000	New/ Expanded
Rackspace Managed Hosting	Managed hosting services	2011	700	Expanded
LegalZoom	On-line legal document preparation services (Reg. HQ)	2010	600	New
Samsung Austin Semiconductor	Semiconductor chip mfg & R&D (HQ)	2010	500	New/ Expansion
HostGator	Website hosting	2011	500	Expanded
AT&T Labs	Telecommunications R&D	2011	350	New/ Expanded
Samsung	Semiconductor chip mfg., R&D (HQ)	2011	330	Expanded
HostGator	Website hosting	2010	300	New
Electronic Arts	Game developer, MMOG	2011	300	Expanded
Hanger Orthopedic Group	Orthotic & prosthetic patient care services (HQ)	2010	250	New

SOURCE: Austin Chamber of Commerce

Other notable Austin news:

Since the beginning of 2012, the Austin Chamber has made several new announcements, the most noteworthy of which was Apple's planned expansion. This includes the construction of a new corporate campus in northwestern Austin and the addition of 3,600 new jobs, totaling a \$300 million investment. As a result, Austin will be home to Apple's largest campus outside of Silicon Valley.

Over the horizon, plans are underway for a new medical school for the University of Texas. Currently, the Austin MSA is the largest in the nation to be without a teaching hospital. While no specific site has been announced, some speculate a location close to the main campus along the Red River corridor. Moreover, the intention has been announced that this new medical school will significantly expand the university's research capacity, thereby solidifying Central Texas' emerging status as a national center for biosciences.

Finally, the Circuit of the Americas race track (currently under construction southeast of Austin) promises to further elevate the region's profile on an international stage. Beginning November 2012, the track will be home to the US Grand Prix and is expected to host approximately 200,000 visitors, many of whom will come from abroad for this international event. Already, the region has begun to develop an international cachet thanks to South by Southwest music, film, and interactive media conference. The inclusion of an event of this magnitude will further raise international awareness of the Austin area.

Around the region:

During the last two years, the surrounding area also won a number of significant economic development victories. In terms of jobs, the biggest announcement was the relocation of Complete Energy Systems to Pflugerville where a new solar panel / energy station manufacturing plant promises to employ 200. Another alternative energy-related announcement in Pflugerville was WindData, which is a data center powered by renewable energy.

RELOCATIONS/EXPANSIONS OUTSIDE OF AUSTIN, 2010-2011

Company	Type of Operation	Jobs	Type of Action	Location
Complete Energy Systems	Solar panels & mobile energy stations mfg. (HQ)	200	New	Pflugerville
Image Microsystems	Computer & plastics recycling & refurbishing	180	Expanded	Kyle
Thermo Fisher Scientific	Wooden laboratory furniture & equipment mfg	150	New/ Expanded	Round Rock
WindData	Renewable energy-powered data center (HQ)	130	New	Pflugerville
Emerson Process Management	Process control software design (HQ)	125	New/ Expanded	Round Rock
Legend Healthcare	Skilled nursing home & rehab center	100	New	Kyle
Fallbrook Technologies	Mechanical transmission technology	65	Expanded	Cedar Park
CFAN	Aerospace equipment mfg. (HQ)	50	Expanded	San Marcos

In June 2012, the Texas Bio Corridor Alliance, a trade group for biotechnology companies along the I-35 corridor, announced it will locate its headquarters in Round Rock. The newly formed group seeks to increase collaboration, attract bioscience business to Texas, and improve innovation. Also in Round Rock, Thermo Fisher Scientific, a company that provides products and services to science-based companies and researchers, announced earlier this year it will add approximately 150 new jobs.

In Bastrop County, Go Green International recently announced plans to invest \$18 million and hire about 76 full-time employees for a facility in Bastrop County that will recycle trees into biomass fuel.

REGIONAL TARGET SECTORS

San Marcos	Round Rock
Healthcare	Health care & biotechnology
Materials science & advanced manufacturing	Supply chain development & management
Supply chain management	Corporate offices, operations, & support services
Green technologies	Computer systems development
Aviation	Clean energy
Corporate & professional operations	Retail
	Higher education

Target Sectors

To determine targets, TIP contextualized their unique relationships to one another within the setting offered by Marble Falls' economy. In doing so, we can see more easily how these sectors are interrelated and uncover potential niche opportunities for a more focused and effective targeted recruitment campaign.

Assessing the exact nature of Marble Falls' competitive advantage and how the community can stand apart from its economic development rivals is crucial. This is a critically important point due to the fact Marble Falls is increasingly within the orbit of the Austin MSA and will compete for new opportunities with other suburban and exurban communities.

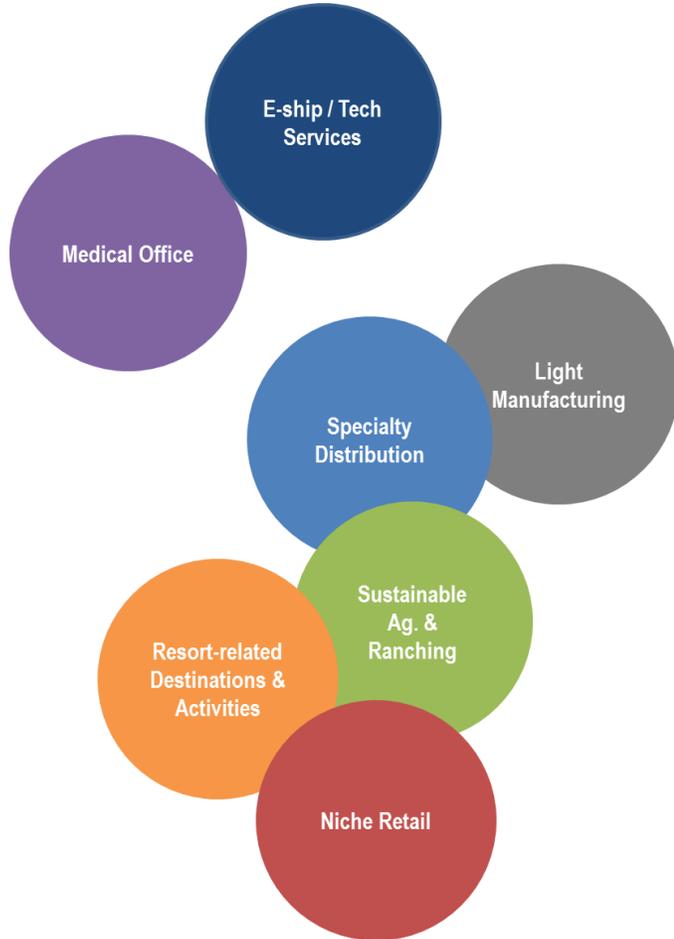
The niches that are recommended in this report play upon Marble Falls' primary strengths:

- A high quality of life due to its geographic situation in the Texas Hill Country and location among the Highland Lakes,
- A strategic location at the intersection of US 281 and TX 71,
- Proximity and access to two of the fastest growing metropolitan regions in the nation: Austin and San Antonio,
- Available sites within the 300-acre Marble Falls Business & Technology Park,
- A unique workforce which includes a substantial executive retiree population, and
- Emerging opportunities, including the construction of the Scott & White medical center.

At the same time, TIP remained cognizant of the challenges facing Marble Falls in traditional business and industry recruitment, including:

- The lack of freeway access to Austin,
- A difficult topography for development,
- A concentration of retirees and second home owners who might not be engaged with the community, and
- A desire to protect and enhance the local quality of life from industries that could harm it.

RELATIONSHIP AMONG TARGETS



MEDICAL OFFICE: The recent announcement of the Wayne and Eileen Hurd Regional Medical Center Campus in Marble Falls will likely prove to be a significant milestone in the community's economic development history. The new hospital will enhance Marble Falls' position as the regional center for the Texas Hill Country and will likely provide additional opportunities for growth throughout the healthcare sector. Demand for healthcare services will be derived from continued strong population growth, as well as an expanding retiree population.

To leverage this opportunity, TIP recommends exploring options to stimulate the development of additional medical office space in Marble Falls as a means for promoting growth among ancillary healthcare activities, such as **physicians' clinics, occupational therapists, outpatient care clinics, and wellness services.**

ENTREPRENEURSHIP / IT SERVICES: Marble Falls' proximity to Austin, its high quality of life, and the presence of executive retirees could provide the community with an opportunity to stimulate entrepreneurship and target smaller technology-oriented businesses. Although Marble Falls is located approximately 50 miles from downtown Austin, the community is falling increasingly within its larger neighbor's orbit as evidenced by rapid development stretching west along TX 71 from Bee Cave to the Pedernales River. Moreover, FM 1431 provides access to Austin's northwestern suburbs. Marble Falls should, therefore, begin positioning itself to target **smaller software and IT service** companies seeking relief from Austin's higher rents. The lack of local office space could be offset by ensuring that **home-based enterprises** are allowed and encouraged under city zoning policies.

Engaging a retiree population can prove difficult; however, the rewards outweigh any risks. Given the cachet of Marble Falls and nearby Horseshoe Bay, the area will remain a popular destination among high-level retired executives. This provides the area with a unique chance for Marble Falls to stand apart from regional competition and should be pursued vigorously. Already, a cadre of retirees has begun to assist the local non-profit community and extending their involvement to assist in **business mentoring programs** or the development of an **angel investment network** could provide the catalyst for local start-ups.

LIGHT MANUFACTURING: Light manufacturing offers a viable opportunity for Marble Falls to expand its industrial base, and the 300-acre Business & Technology Park offers a suitable location for these companies. While overall manufacturing employment within the Austin MSA declined substantially within the last ten years, many of these losses were in the semiconductor and computer assembly industries. Their declines are part of an overall trend to shift electronics manufacturing overseas.

Marble Falls' strategy for recruiting manufacturers should be to target producers of goods that serve a more regional market (i.e., I-35 corridor from San Antonio to Dallas/Fort Worth). While national demand for **construction and building materials** remains low due to lingering weaknesses in the housing market, the same cannot be said for the I-35 corridor. Between 10,000 and 12,000 apartments, for example, are expected to be under construction within the next year in the Austin market alone, and these elevated levels are forecast to remain steady for the foreseeable future. Already, Marble Falls has scored a success in this sector through the attraction of Corworth Building Systems. Moreover, Marble Falls' location among the Highland Lakes and the Texas Hill Country appear to position the community favorably for targeting **recreational equipment** makers.

SUSTAINABLE AGRICULTURE: Structural changes in agriculture are underway, including a shift toward healthier foods grown locally and/or organically. The shift began as small farms growing specialty products started working with the chefs of restaurants in large urban areas. Initially this market was limited, but in recent years these types of farms have seen their markets grow. Farmers' markets that had long disappeared began to emerge once again in small and mid-size US towns. The products of these farms also began to spread through Community Share Agriculture (CSA) programs where local residents pay a specified amount to share in local harvests. More recently, big players like Wal-Mart have stepped into this market to sell healthier produce, meats, and dairy products that are sourced closer to customers.

Marble Falls' proximity to Austin and San Antonio makes it an ideal location to serve these two large and growing consumer markets. Moreover, Austin is home to Whole Foods, and HEB hails from San Antonio. Specific opportunities could include an increase in **viticulture** within the surrounding area, promoting **farmers' markets**, and **high-end restaurants** featuring locally grown fare.

SPECIALTY DISTRIBUTION: At first glance, Marble Falls' location on US 281 would seem to make it a near ideal distribution center. US 281 is increasingly being viewed as a viable alternative to I-35's congestion, and the community is in close proximity to both San Antonio and Austin. Marble Falls, however, is not currently served by a truck route bypassing the central business district, and it is uncertain whether residents would greet a large increase in truck traffic through downtown. Despite these challenges, it makes sense for Marble Falls to target certain types of distribution activities, especially bringing **locally produced goods — manufactured or grown — to regional markets**.

RESORT-RELATED DESTINATIONS & ACTIVITIES: Already, Marble Falls and the surrounding area are known statewide as a major Hill Country destination with the nearby Horseshoe Bay Resort and Lake LBJ strengthening that position. It appears, however, that the community has not fully leveraged this strength. Expanding options to increase visitor traffic and spending should be a major priority for the community. It is this status that sets the community apart from the regional competition and can help **strengthen the 'Marble Falls brand'**. Specific opportunities may include the **expansion of meeting spaces** to draw regional conventions and/or corporate retreats, targeting **international tourists** who are visiting Austin and/or San Antonio and seeking a unique Texas experience, or **Central Texas day-trippers**.

NICHE RETAIL: Retail is increasingly viewed as an amenity that a community cannot do without. When searching for a new home, potential residents (both singles and families) strongly take the available shopping amenities into consideration. As a result, employers have also come to realize the quality of retail can expand the applicant pool when recruiting new workers. Retail amenities also strongly influence the attraction of visitors and, eventually, retirees. Over time, a tourist who frequently visits a place begins to adopt a notion of brand loyalty for that community or destination which can, in turn, strongly influence retirement location decisions.

As the population of Marble Falls grows, it will continue to be viewed as an option for chain retailers and restaurants; however, it will require a concerted effort by the community as a whole to embrace **locally-owned and independent retailers and restaurants** which will give the community a unique character and flavor.