

SECTION 3 – ECONOMIC ASSESSMENT

INTRODUCTION

Navasota is geographically located in an enviable position that allows residents to access services, facilities, and opportunities from large metropolitan centers, in an area that offers a high quality of life and a village lifestyle. The purpose of the Economic Assessment Section is to review the current economic condition of Navasota and the region. This assessment provides a foundation for determining the target industries and strategies for marketing Navasota.

An examination of the current local economy has been conducted. In addition, communities and metropolitan areas have been analyzed to provide distinct economic comparisons and a regional context. Communities used in this analysis were chosen based on their proximity and potential for providing opportunities or posing a threat to the economic development of Navasota.

LOCAL ECONOMY

Navasota's economy is based on a mixture of service, retail, and manufacturing establishments as shown in Figure 3.1 and Table 3.1. The largest employment category is the educational, health, and social services, which employs approximately 24.4% (or 624 people) of the population in Navasota. Other categories include manufacturing, government, retail, agriculture, arts, recreation, and entertainment.

The educational sector for Navasota consists primarily of individuals employed by the Navasota Independent School District. The school system is made up of six educational facilities including:

- Navasota Primary School, serving Pre-Kindergarten through first grade;
- John C. Webb Elementary, serving second and third grade;
- Navasota Intermediate, serving fourth and fifth grade;
- Navasota Junior High, serving sixth, seventh, and eighth grade;

- Navasota High School, serving ninth through twelfth grade; and
- The Carver Learning Center, which serves as an alternative learning center for students in sixth through twelfth grade.

The healthcare sector consists of individuals working at the Grimes County St. Joseph Health Center, the Navasota Medical Center, three dentists’ offices, and an optometrists’ office.

The second largest employment sector is manufacturing, employing about 20% of Navasota’s population. Companies in this sector are listed on Table 3.1. The largest private industries in Navasota are Grant-Prideco and Citation Corporation (formerly known as Interstate Southwest Forge Company), employing 581 and 300 persons respectively. Grant-Prideco is the largest private employer in Navasota and Grimes County. This company produces tubular products used in the drilling and completion of oil and gas wells. The Citation Corporation is a manufacturer of metal components for the durable goods industry. They have the ability to cast, create, and machine mechanisms.

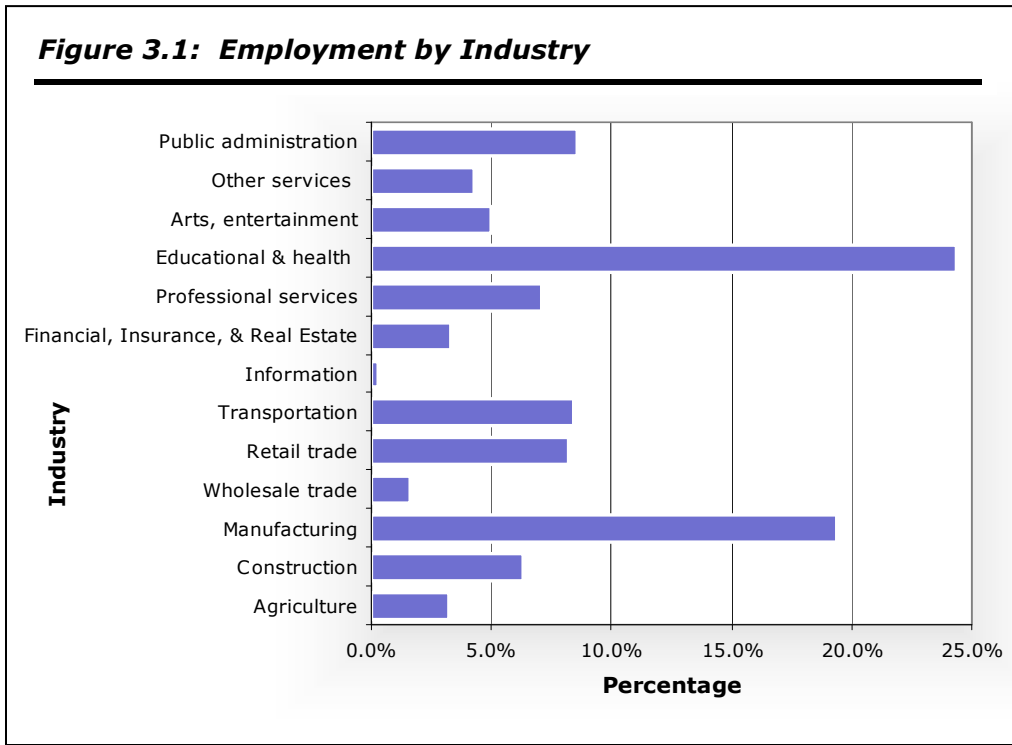


Table 3.1: Manufacturing Employers in City of Navasota

Company Name	Product Produced	Employees
B & R Industries, Inc	Oil field products	32
Citation	Innovative metal components	300
Ergogenesis, LLC	High-end office chairs	118
Fremac Millwork, Inc	Counter tops and cabinet doors	20
Grant Prideco	Oil and gas drilling products	581
Metal Culverts, Inc.	Corrugated metal pipes	4
MVC Management	Pre-caste building slabs	7
Roof & Metal Systems, Inc	Kon-seal roof vent	9
Trinity Head Division	Pressure vessel heads	71
Texas Custom Coaters	Cosmetic coating	12
Tuboscope Vetco	Pipe coating	60
The Wood Factory	Architectural wood products	4
Total:		1218

The government sector within Navasota employs another significant portion of the population. The City of Navasota employs 85 people full-time and an additional 30 seasonal workers during spring and summer. This employment includes police services, fire services, public works administration, city hall administration, and library personnel. In addition, there are two state prisons located in Navasota that employ close to 700 people. The largest retail sector employers in Navasota are the Wal-Mart and Brookshire Brothers stores respectively. Within the agricultural sector, there are agriculture supply stores and feed stores. Navasota is also home to the Bridle Ridge Quarter Horse Farm. The arts, recreation, and entertainment sector is one of the smallest employment sectors in Navasota.

The Texas Comptroller of Public Accounts reported total state expenditures of \$55,204,725 for Grimes County in its "State Expenditures by county 2000" report. The State spent \$12,110,537 on public assistance and \$4,236,971 on highway construction and maintenance in Grimes County. During the third quarter of 2001, gross sales for all industries in the county totaled \$211,212,740. Comparing the third quarter of 2000 to the third quarter of 2001, gross sales changed 54 percent (from \$137,166,393). The county had 7 bank offices in 2001, as reported by the

FDIC, with total deposits of \$234 million. This represents 0.10 percent of total deposits in Texas (\$243,390 billion). There were fourteen single-family residential housing permits issued by the City of Navasota in 2003. According to the data collected by the Texas Target Cities team, the total number of houses is 2,664 (1,386 occupied: 1419 owner occupied, 967 renter occupied).

Table 3.2: Presence of Economic Sectors in Six Texas Cities

Industry	Location ¹
Agriculture	B, CSB, Ho, Hu
Artisan Crafts	All
Banking/Finance	All
Commercial Fishing	Ho
Construction	All
Education	B, CSB, Ho, Hu
Film	Ho
Food (i.e., grocery, restaurant)	All
Government	All
Health Care	All
High-Tech Research and Development (i.e., computer, aerospace)	CSB, Ho
Historic Preservation/Museum	All
Import and Export (i.e., water, air, rail, road)	Ho
Livestock	B, CSB, Ho
Lodging	All
Manufacturing	All
Media (i.e., television, radio, newspaper)	All
Petroleum/Natural Gas Exploration and Processing	Ho
Petrochemical Production	Ho
Recreational Travel/Outdoor Activities (i.e. water, air, rail, road)	CSB, Ho
Research (Aerospace, Medical, Petroleum, Transportation, etc.)	CSB, Ho
Shopping	CSB, C, Ho
Sports/Large Entertainment Attractions	CSB, Ho, Hu

¹ Brenham (B), College Station/Bryan (CSB), Conroe (C), Houston (Ho), Huntsville (Hu)

REGIONAL ECONOMY

The regional economy of Navasota is reflected in Table 3.2. This table compares economic sectors in six other cities, including Brenham, College Station/Bryan, Conroe, Houston, and Huntsville.

Navasota's geographic location plays an important role in its economy. Within the region, two cities (Hempstead and Brenham) were identified and examined for elements that would serve as a basis for competition with Navasota. In addition, two metropolitan areas, College Station/Bryan and Houston, specifically South Montgomery County (also known as the Woodlands Area), were examined to provide a better context for understanding Navasota's regional economy.

Hempstead

Hempstead is located approximately 21 miles from Navasota and has a population of 4,691. It is conveniently located near Prairie View, College Station/Bryan, Houston and Brenham. The largest employers in 1990 were auto sales, government and educational institutions. The city boasts a deep historical heritage and is the site of a Union Prisoner of War Cemetery.

Hempstead has a unique mix of shops that provide identity to the town. The Dilorio Farms and Roadside Market provide farm fresh produce year round as well as homemade jellies, jams, and preserves. The Yucca Do Nursery, Inc. provides rare and unusual plants from Mexico and around the world. An important business of Hempstead is TexQuest Networks, which provides a local resource for other businesses to advertise via the Internet. The Waller County Fair attracts tourists during September.

Brenham

Brenham is located approximately 25 miles away from Navasota and has a population of 13,507. The City claims ties with Washington-on-the-Brazos, where the Texas Declaration of Independence was signed. It is located at the crossroads of U.S. Highway 290 and State Highway 36, about 30 miles away from Interstate

Highway I-10. In a regional context, Brenham is situated 72 miles from Houston and 84 miles from Austin. The City has maintained a steady growth rate and a stable economy with more than 30 manufacturing industries that provide over 3,500 jobs. Major industries include Blue Bell Creameries, Sealy Mattress Company, Mount Vernon Mills, PI components, Valmont Industries, Moore-Wallace, Inc., Longwood Industries, and Trepan Tools. In addition, the Brenham has three large retail stores: a Wal-Mart Super center, the Brenham Wholesale Grocery, and an HEB Food Store. Blinn College is also located there.

College Station/ Bryan

College Station/Bryan is located about 22 miles Northwest of Navasota and has a population of approximately 133,550. In recent years the CS/B area has experienced steady growth. In addition to award-winning schools, the area provides an educated workforce, has a low cost of living, quality medical facilities and is in close proximity to both Houston and Austin.

The educational sector for the twin cities comprises the largest segment of the workforce with Texas A&M University employing 12,000 people and the College Station and Bryan independent school districts employing 3,200. Within the manufacturing sector there are three primary industries: Sanderson Farms, which processes poultry; Universal Computer Systems, which provides turnkey computer systems to automobile dealerships worldwide; and Alenco, which produces windows and skylights. Local, state and federal governments employ about 41 percent of the population. The service sector makes up 22 percent of the area's employment. College Station/Bryan has a sales tax rate of 8.25 percent and a hotel tax rate of 13 percent.

The College Station/Bryan area provides opportunities for recreation, art, and entertainment. Texas A&M University regularly provides opportunities to attend Big XII sporting events. The University also has Reed Arena, a large multiple purpose facility. A local winery and even Broadway shows on the A&M campus are available as well.

Brazos County has three publicly owned industrial parks with more than 1,100 acres as well as three privately owned industrial parks in the area. In addition, Texas A&M University manages a 434-acre research park. The parks are listed and discussed below:

- **Texas A&M University Research Park** occupies almost 434 acres of land on the West Campus. The Park is home to some of the largest and fastest growing organizations in the nation.
- **Northpoint Business Park** is strategically located along State Highway 6 in Bryan, and offers many advantages to companies in need of light industrial, distribution or warehouse lease space.
- **Park Hudson** has 350 acres and is located at FM 158 and FM 60. It is home to Decision One Corporation and the Brazos Valley Physicians Organization (BVPO).
- **The Business Center at College Station** is located on Texas State Highway 6 adjacent to Pebble Creek Country Club and Pebble Creek Elementary School. The 200-acre park-like development is currently home to six companies involved in software design, telecommunications, outsourcing and high-tech manufacturing. A second phase of the Business Center at College Station is proposed to include approximately 290 developable acres and be located on the Northeast corner of State Highway 6 and Greens Prairie Road.
- **Bryan Business Park** is owned and operated by the Bryan Business Council. The park is located on North Harvey Mitchell Parkway between Sandy Point Road and Texas HWY 6.
- **Carrabba Industrial Park** is located on Highway 21 in Bryan. It encompasses over 200 acres and is two-thirds complete with new facilities currently being added.
- **Brazos County Industrial Park** is owned and operated by the Brazos County Industrial Foundation. The park is located on North Harvey Mitchell Parkway south of Texas 21.

Houston

Houston is Texas' largest city. Houston was the fastest growing city in the United States in the 20th century, according to American City Business Journals. A study conducted by Cendant Mobility found that Houston was ranked the most popular U.S. city for employee relocations. Population projections forecast an average growth rate of 2.1 percent per year through 2020, according to the Texas State Data Center.

Activity in northwest Houston's land market is strong. Land sales and development activity continue at the brisk pace that began several years ago. Most of the sales and development activity is primarily for industrial development (both for users and speculative), residential single-family homes and retail development.

The industrial activity along the US 290 corridor has slowed because of the limited availability of land. The majority of Business Park land in that area has been developed over the last few years so users and developers are shifting their focus to Beltway 8 for suitable sites. Some recent major industrial development activity includes Transwestern Property Co., CORE, Vantage Houston, Caldwell Watson, and others. Office development activity has generally halted in this region as the Houston market absorbs the abundance of existing product that was built in 1998 and 1999. This is particularly true on the City's west side. Residential single-family home development remains strong as many new subdivisions continue to exceed sales projections. Some significant examples are Rock Creek and Coles Crossing. Golf communities remain popular in the northwest part of Houston.

Northwest Houston's tremendous home growth, coupled with some of the highest average income levels, attracts new retail and restaurant development. Land deals for restaurant and retail projects are cropping up on all the major corridors of the area with no slow-down in sight. Retail outlets like Home Depot, Coles Crossing, and Lowe's are investing in the area. In all areas of land sales and development, the northwest sector of Houston continues to attract new business and expansion.

The area's many amenities, as well as its roadway system and proximity to Bush Intercontinental Airport, help promote it as the place to work, live and grow.

Employment growth in the area is similar to employment growth across the state. Total nonagricultural employment was 2,081,500 for 2000. The U.S. Bureau of Labor Statistics reports total civilian employment in the Houston MSA was 2,099,491 in 2000. Government, health care, airlines, computer manufacturing and oil and gas services are major employers in the area. The Houston branch of the Federal Reserve Bank of Dallas forecast a 3.5 to 4 percent growth rate in local employment during 2001, which translated to a gain of 70,000 to 80,000 jobs. Houston will benefit from higher oil prices and the growing strength of the international economy. The services sector added the most jobs to the Houston economy and accounts for the largest share of Houston's workforce at 30 percent. Trade follows closely at 24 percent of area employment, and government, the third largest sector, represents 15 percent of area employment. The services sector added 21,800 jobs during 2000; trade added 9,900 jobs. Mining employment was the fastest growing industry in the area during 1999, despite low oil prices. Industry employment grew as a result of consolidation within the oil and gas sector. The large concentration of government workers in the area is attributable to the school district, city and county governments and the Port of Houston.

Houston's diversified manufacturing sector, which accounts for 10 percent of local employment, is divided among industrial machinery, oil and gas, fabricated metal and other manufacturing. Houston's highly regarded medical industry includes many hospitals and a medical school. It should be noted that Houston offers a variety of incentives to new and expanding businesses, including property tax abatements, franchise tax refunds and job training funds. Site Selection magazine ranked Houston fourth among the top 100 U.S. cities for foreign investment in 1999. The sales tax rate in the area varies from 7.25 percent to 8.25 percent. Houston and most of the major area cities assess a sales tax of 8.25 percent. The hotel-motel tax rate varies from 10 to 13.25 percent. Houston assesses a 13 percent hotel-motel tax.

The area has a variety of tourist attractions including the Houston Astros baseball team, which started the 2000 season in the recently completed Enron Field. Six Flags Houston, Space Center Houston, the Houston Rockets basketball team and numerous museums attract visitors to the area.

South Montgomery County is located 27 miles north of Houston, and includes The Woodlands, a nationally renowned master-planned community. The County has a projected population of 171,983 for 2005. The area provides affordable office, manufacturing and research space available for lease or purchase. Approximately 2,500 businesses are found in the area, ranging from owner-operated establishments to manufacturing plants employing hundreds of workers. In addition, The Woodlands Trade Center has warehouse and distribution capabilities, taking advantage of the area's proximity to highway, rail, sea and air transport hubs. The Woodlands' Research Forest is Texas' premier business park for scientific, research and technology companies. The biotechnology sector is very successful with Lexicon Genetics and Sigma-Genosys, one of the top ranked pharmaceutical businesses in Texas. The energy sector also employs a large number of individuals with business like Anadarko Petroleum, Tetra Technologies, Entergy, and Hughes Christensen. The South Montgomery County area is just minutes from the amenities that Houston has to offer.

COMPLEMENTARY INDUSTRIES

It is important to identify complementarities and synergies among industries and businesses in Navasota and the region in order to produce economic development actions that will best serve the City. The Texas Target Cities Team identified the following possibilities:

One of the most visible examples is the petroleum and chemicals manufacturing group in Navasota. Companies such as B&R Industries, C&M Machinery, Dynalloy, Grant Prideco (GP), and HC Chandler (HCC) market independently to related companies in Houston (Dow, Exxon/Mobile). These companies could combine efforts and expand their services to Houston industries. An example of a combined

effort would be GP and HCC filling a contract order for offshore drilling pipe to Exxon/Mobile with GP manufacturing the drill shaft and HCC coating the material.

The manufacturing industry in Navasota also compliments the surrounding construction industry. For instance, Metal Culverts, Inc. (MC) is a company that provides metal culverts throughout the region for drainage projects, and Transit Mix Concrete provides Portland Cement Concrete (PCC) throughout the region for various construction projects. PCC is only distributed regionally; however there are other companies like MC that could look at expanding their production to national and international markets, like GP who is benefiting from international sales. With Navasota's nearness to Houston, it has excellent access to the shipping industry and great transportation networks (air, rail, water and roads).

The construction industry in Navasota and the available unemployed workforce could make an attractive resource for the larger construction industry in the surrounding region. For instance, there is an adequate supply of labor in the construction industry; however, there is a need for skilled equipment operators. The City could support a construction equipment operator trade school that could train the local workforce helping them to become a viable resource for the regional construction industry

The headquarters of TETRA Technologies, Inc. is currently located in the Woodlands. Tetra is an oil and gas services company, including and integrated calcium chloride and brominated products manufacturing operation that supplies feed stocks to energy and other markets. Navasota, in addition to having companies that specialize in making products for oil and gas drilling, could provide an ideal location for manufacturing supplementary products for TETRA Technologies.

Hughes Christensen is the most innovative and technically advanced drill bit manufacturer in the world. The Woodlands has two manufacturing plants that produce tricone and diamond bits. If Hughes Christensen desires expansion, the

Navasota’s Industrial Park and other oil and gas businesses would provide an ideal location for both expansion and collaboration.

Given the potential and current bed and breakfast business in Navasota, a compliment to these would be the establishment of day spas. The Sanctuary d’Sante is recognized as the first and premier day spa in Houston, and has national and international recognition. A small branch of this spa located in a more rural setting would be very inviting and generate business from College Station/Bryan and possibly those individuals in Houston who would like to relax outside of the big cities.

There are no doubt other possibilities for complementary industries. A detailed list of potential businesses and projects that could be undertaken is provided in the Implementation Section (Section 6) of this plan.