

ECONOMIC DEVELOPMENT PLAN UPDATE

for the
SCHERTZ ECONOMIC DEVELOPMENT CORPORATION



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About TIP Strategies

TIP Strategies, Inc. (TIP) is a privately held Austin-based business and economic development consulting firm committed to providing quality solutions for both public and private-sector clients.

Established in 1995, the firm’s areas of practice include economic development consulting, strategic planning, site selection, economic impact analysis, regional economic development, target industry analysis, cluster analysis, technology audit, transit-oriented development, workforce analysis, feasibility studies, market analysis, and redevelopment analysis and planning.

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EXECUTIVE SUMMARY

Introduction

Thanks to its proximity to San Antonio and access to two interstates, Schertz is in the enviable position of being “in the path of growth.” This strategic location offers residents and businesses entrée to the booming San Antonio-Austin corridor, one of the fastest growing metropolitan regions in the nation. Already Schertz is beginning to reap the rewards of its location and strong population growth. The recent announcement that Sysco Corp. is consolidating its South Central Texas operations in Schertz at a new 635,000-square-foot distribution center underscores the city’s strategic location. This major announcement alone, however, will not be sufficient to carry out a vision of Schertz as an emerging business destination for the San Antonio metro region.

Another major consideration for Schertz’s economic development efforts is how the city is perceived by employers and talented workers throughout the region. For example, perceptions of the community as simply a hub for distribution could result in Schertz being bypassed for interest and investment. Within the greater metropolitan region, northwest and north-central San Antonio are widely perceived as the “high-end” suburban business locations. Perceptions such as these are often driven by the presence of highly educated and high income households. In other words, business location decisions within a metropolitan region, especially among professional service firms, are often a result of regional perceptions.

Recognizing this, the Schertz EDC hired TIP Strategies — an Austin-based economic development consulting firm — to assist in updating the comprehensive economic development strategy developed in 2005-2006. The findings and recommendations outlined in this Economic Development Strategic Plan builds upon prior recommendations and will serve as a guideline for the EDC’s ongoing and future economic development efforts.

While the challenges facing Schertz are real, so are the opportunities. The community has the potential to reinvigorate its downtown and capture a significant share investment in the changing energy sector. The actions outlined in this plan, if fully implemented, will go far in repositioning Schertz and setting it on a course for long-term economic growth and vitality.



Priority recommendations for the Schertz EDC

TIP recommends a targeted approach to economic development for the Schertz area. The format of this plan is built upon the EDC's existing strategic planning document but provides more detailed guidance regarding specific economic development opportunities within Schertz. We believe that, if implemented, the updated plan will go far in assisting the community reach its next stage in development. Ultimately, we believe that Schertz is well positioned to emerge as a premier destination for business development within the South Central Texas region and more specifically within the San Antonio metro area.

The following initiatives should be considered as the priority recommendations for the EDC within this plan:

Business expansion & retention > Building awareness of the needs that existing employers have, and developing policies and mechanisms to support local business and industry, should be the EDC's highest programmatic priority. This is not to say, however, that the EDC is performing this function poorly. Rather, the recommendation only goes to underline the continued importance of BRE programs in local economic development. During times of economic recession — and recovery — the degree of public pressure on an EDC to land a “big win” in recruitment inevitably increases dramatically. The EDC, as well as local business and community leaders, should be reminded that local companies are, by far, the largest and most reliable source for creating new jobs. And during periods of economic crisis, competition for businesses becomes especially fierce; so much so that existing businesses should be viewed as another community's potential recruit. As a result, we believe it is critical that the EDC and local allies remain aware of the myriad issues and challenges that local businesses face, as well as understand how business climate issues can affect private sector investment decisions.

Business park on I-10 > Schertz is in an enviable position of being “in the path of growth” of one the largest and fastest growing metropolitan regions in the U.S., which will eventually place a premium on available properties with interstate frontage. It is, therefore, critical that the City and EDC continue to explore options for the development of high-end industrial/business sites at strategic locations rather than allowing developments that yield low economic or fiscal impact. One site in particular has been identified as a priority for the



development of a business park. Its location on I-10 provides the ideal opportunity to leverage its proximity to the San Antonio market and access to the future SH-130.

Regional marketing > TIP recommends the EDC focus efforts on promoting and enhancing Schertz's image as an emerging business destination for the region throughout the San Antonio metro area and South Central Texas. We believe this marketing effort will be most effective if the target audiences are clearly defined. Most economic development organizations believe their primary market should be businesses looking at relocation as a possibility. TIP does not disagree that these should be a focus; however, a number of other parties are just as — if not more — important, including existing business and residents, as well as the region's real estate community.

Priority recommendations for the City of Schertz

When companies relocate, they do so to communities offering the sites, labor force, and general business climate (tax burden, regulations, etc.) they need to gain competitive advantage. While the above recommendations are for initiatives that should be led by a traditional economic development organization, such as the Schertz EDC, the following are specific projects that would be more suitable for the City. These were chosen for their ability to support economic development in Schertz through more nontraditional means over the mid- and long-term.

- **Town center development >>** The establishment of a town center for Schertz presents the community with one of its best opportunities for establishing an identity in the San Antonio metro area. This should be an important consideration for the City's overall development efforts, given the increasing significance of attributes such as community character to economic development and talent attraction. TIP recommends the city partner with a private sector developer to establish a mixed-use district combining civic, commercial, and entertainment functions as a means for creating a new downtown destination.
- **FM 78 corridor >>** The redevelopment of FM 78 should remain a high priority for the City. This roadway is a strategic link between the community and one of the region's



largest employers, Randolph Air Force Base; it also serves as one of Schertz's primary gateways. As such, the City should focus efforts on the redevelopment and beautification of this important corridor. To do so will require collaborative public and private investment in the infrastructure, streetscape, and strategic properties along the corridor. The redevelopment of one intersection, in particular, should be carefully considered: FM 78 and Schertz Parkway.

- **Recreational/entertainment destination >>** Schertz should continue to leverage and expand its recreational and entertainment options to help position the community as a regional destination. Already, the City has seen the success of its investment in the development of the soccer complex, and other outdoor recreational options should continue to be pursued. The City should also continue to encourage the expansion of local entertainment options throughout the community. One opportunity for doing so might come from the development of a new town center (see recommendation below). Another way of increasing entertainment amenities is by encouraging mixed-use development in Schertz, including housing, retail, office, and entertainment options.
- **Conference/convention center >>** City leaders should continue to explore the feasibility of establishing a conference/convention center in Schertz over the long-term. Items to be considered should include: location and physical linkage to other City projects (e.g., town center, entertainment destination, rail station, higher education facility); potential market and competitors; financing; ownership; and management.
- **Higher education facility >>** One of the greatest long-term opportunities for Schertz would be the establishment of a college campus in the community. TIP believes this would provide tangible local benefits while also enhancing Schertz's already strong image as a community that promotes excellence in education. Realizing this goal would achieve several objectives: 1) retaining a higher percentage of home-grown talent, 2) enhancing the area's workforce needs through continuing education, 3) creating partnership opportunities between higher education and the area's existing employers, and 4) enhancing Schertz's quality of place. Implementing this strategy, however, may require sustained effort and creativity on the part of Schertz's leadership and citizenry.
- **Rail station development >>** Schertz should continue to pursue the development of a rail station in conjunction with the eventual establishment of a commuter rail corridor



connecting the San Antonio and Austin metropolitan area. In addition, the City should consider additional options to the current location selected for the rail stop to ensure that Schertz fully maximizes the economic and fiscal impact benefits of the potential station. Moreover, the City should also support any potential mixed-use development opportunities adjacent to the station.

Target sectors for the Schertz EDC

Core to economic development is the attraction of new businesses. Too often, however, business recruitment is approached in a haphazard manner. Recruitment activity only becomes strategic when target sectors meet the following requirements:

- Match the skills of the region's workforce, as well as the land and building inventory in the local community,
- Create the potential for sustainable employment opportunities through growing demand, and
- Are in harmony with the desires of Schertz residents.

With this framework in mind, TIP recommends the Schertz EDC and its allies pursue the following target sectors:

- **Healthcare cluster** (general medical and healthcare services, outpatient and ambulatory services, and health informatics). The abundant availability of trained or trainable healthcare workforce in addition to the strong regional presence of major healthcare facilities within the region and nearby provides a clear opportunity for Schertz for local expansions, including medical offices and IT services for the healthcare sector.
- **Transportation equipment suppliers >>** The presence of the Toyota Tundra plant in San Antonio and expected arrival of the Caterpillar plant in nearby Seguin provide an excellent opportunity for positioning Schertz as a location for investment from this sector. The development of an industrial park on I-10 would go far in attracting suppliers to these manufacturing facilities.



- **Advanced logistics & distribution** >> Given Schertz's close proximity to the region's major highways (I-35, I-10) and the future SH-130, transportation-related businesses are a logical target. Schertz provides distributors with excellent access to markets along the I-35 corridor as well as to those lying to the east of San Antonio. The recent announcement of Sysco Corp. consolidating its Austin and San Antonio facilities in Schertz only underscore the city's strategic location. TIP believes the EDC should continue to pursue more advanced distribution and logistics providers as they can often serve as a step toward a transition to assembly work.
- **Professional/technical services** (including architectural, engineering, information technology, and regional headquarters). Targeting professional and technical services should be considered as a primary activity for Schertz's economic development efforts. The rationale behind this employment category's selection should be viewed through the prism of the community's assets: high quality of life, strong support for education, and available sites to name a few. Moreover, the San Antonio metro area has seen success in attracting investment from these types of firms in the last decade. To that end, Schertz offers regional economic developers a high-quality product for potential prospects and can serve as a partner in these efforts. The plan proposes a two-phase strategy for focusing efforts on targeting professional, and technical service providers. The first phase envisions the establishment of a Schertz-based business community primarily servicing local needs. The second, and far more ambitious, phase would entail positioning Schertz and the surrounding area as a platform for recruiting larger corporate entities in conjunction with regional and statewide economic development efforts.
- **Clean tech** (including wind turbines, solar cells, and green building systems). Over the last century, Texas has enjoyed its status the undisputed energy leader in the U.S., thanks to its historically large oil and natural gas reserves. During the last decade, the state has also emerged as the nation's leader in wind energy installation and is beginning to see increased investment in the manufacture and assembly of parts related to both wind and solar energy. Given Schertz's location along the I-35 corridor in South Central Texas, TIP believes that the EDC could see success in marketing the community as a location for these types of businesses.



- **Destination retail >>** Retail and leisure are increasingly viewed as amenities that a community can not do without. When searching for a new home, potential residents (both singles and families) strongly take the available shopping in an area into consideration. As a result, employers—who are interested in retaining and recruiting workers—have come to realize the importance of retail and leisure amenities. Another goal should be the attraction of additional hotel/motel rooms to the community. Finally, the City should establish a long-term goal to develop a new town center with mixed-used civic, retail, restaurant, and entertainment uses.

Final thoughts

Schertz is primed to transition into the premier destination for business in the northeastern San Antonio metro area. Fully realizing this potential will, however, require paying close attention to land use to ensure that the benefits of development are leveraged and maximized. The primary focus for the Schertz EDC and the City should be promoting “high impact” developments to increase the community’s economic vitality and diversify its tax base. Given that growth is expected to continue to come Schertz’s way, there is no reason the area should “settle” for less-than-desirable development opportunities. Understanding how the EDC and the City can best coordinate efforts for promoting high-quality, high-impact development will be the key to managing and maximizing Schertz’s economic development potential. This plan provides the community with a clear and bold vision for its future, as well as the necessary goals and strategies for attaining that state. It is our sincere hope that this plan provides the inspiration for the community to take the necessary steps to attain its full potential.



IMPLEMENTATION PLAN

The Schertz EDC will spearhead the implementation of this economic development strategy; however, the EDC should not hesitate to enlist the support of other public sector entities and regional partners as needed. TIP also believes the City of Schertz should play a significant role in this plan, especially in the development of destination projects highlighted within the executive summary.

The matrix below is provided as a guide for implementing this economic development plan over the next five years. This matrix is organized by goals, strategies, and actions. It also identifies the lead organization by strategy and includes a timeline for each one.

Goal 1 > Develop programs for retaining and improving Schertz’s regional economic development competitiveness.

Many judge industrial recruitment as the most important aspect of economic development. However, additional opportunities for cultivating economic growth and vitality can lie closer to home. “Economic gardening” is the most overlooked—but often most important—economic development activity. In other words, ensuring the continued prosperity and survival of local employers is crucial to sustaining a healthy economy.

Leveraging the existing resources among the Schertz’s business community—including innovation, knowledge, research, finances, and business and social networks—and matching those resources with opportunities should not be overlooked. Simultaneously, an awareness of existing local business’s needs for remaining competitive in their respective industries is also a must. In other words, the EDC should remain vigilant and responsive to the various issues that affect the profitability and competitiveness of existing employers.

Moreover, economic development organizations have traditionally focused solely on the recruitment of new businesses and neglect other tools in the kit. Nurturing and attracting talent is perhaps the most fundamental issue for creating long-term, sustainable economic vitality. But this “talent” goal implies more than the typical workforce development and training issue, encompassing the promotion of higher education to match the needs of higher-end service sector industries, including professional and technical services.



GOALS, STRATEGIES & ACTIONS	LEAD ORG.	TIMELINE >>						
		ON-GOING	0-6 mos.	6-12 mos.	Yr. 2	Yr. 3	Yr. 4	Yr. 5
<p>Strategy 1 >> Continue to retain and expand existing businesses in Schertz.</p> <p>A) Build and maintain an inventory of local businesses. B) Place periodic calls with existing employers to make sure that local businesses and industries remain aware of any technical and financial assistance programs that are available. C) Create an annual survey of area businesses to keep tabs on opinions of the area’s business climate. D) Establish formal guidelines for the use of incentives, including making them available to new and existing businesses alike. For example, establish a matrix formula to allow for any company that locates or expands in Schertz receives incentives determined by the same set factors. This will speed up the decision-making process. E) Ensure that local businesses are aware of incentives opportunities. F) Build and maintain an inventory of properties, updated demographic and economic profiles, and a current website.</p>	EDC	X						
<p>Strategy 2 >> Provide assistance to local employers in defense contracting.</p> <p>A) Meet with representatives from regional military installations to better the defense contracting process and understand the procurement process. B) Hold a local business summit with local employers to present findings from previous research on defense contracting potential and gauge whether any opportunities for these businesses is present. C) Develop an assistance program for local employers, including gathering intelligence on contracting opportunities, acting as a liaison between procurement officers and businesses, and identifying potential niche opportunities.</p>	EDC		X	X				
<p>Strategy 3 >> Continue focusing on improving Schertz’s workforce.</p> <p>A) Act as a liaison between area workforce development providers and existing businesses to ensure local employers are aware of available training resources. B) Continue to regularly assess employer workforce needs by establishing an annual Workforce Development Summit and business surveys. C) Continue to promote excellence in the public schools and support expanded and/or new internship/apprenticeship programs, especially in trades and subjects that support the EDC’s target sectors. D) Continue to support workforce development and training activities E) Pursue options for the establishment of a higher education center in Schertz over the long-term.</p>	EDC	X						



Goal 2 > Ensure adequate sites and infrastructure is in place to attract new businesses.

While each of these projects was chosen for its ability to leverage a distinct opportunity, they were also intentionally chosen for their ability to support Schertz’s greater economic development needs, including diversification, talent attraction, and innovation development. The City should, however, remain mindful that it cannot operate within a vacuum and expect success. Consequently, an internal awareness campaign should be initiated to communicate the goals and strategies in this plan and solicit support from area allies. Leaders should recognize that policies supporting a strong business climate cannot be implemented within isolation. Instead, policies and program activities should be considered within the overall context of the variety of factors that can influence Schertz’s long-term economic development prospects.

TIP believes target sectors cannot be selected without the context of land development opportunity considerations. Although an analysis of economic data may indicate that a specific industry is a good “fit” for a community, the lack of suitable sites will be a deal-killer. Similarly, a good business site may not be fully leveraged to meet its maximum economic and fiscal impact if it is not strategically linked to targeted development opportunities. As a result, the specific opportunity projects and target sectors recommended in this plan are inextricably linked.

GOALS, STRATEGIES & ACTIONS	LEAD ORG.	TIMELINE >>						
		ON-GOING	0-6 mos.	6-12 mos.	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Strategy 1 >> Continue to pursue the development of an industrial park on I-10.	EDC		X	X	X	X		

- A) Provide technical assistance to the City of Schertz in negotiations with the City of San Antonio for the annexation of the property located on I-10.
- B) Once annexation has been accomplished, determine the specific site for the industrial park.
- C) Explore various options for the development and ownership structure of the industrial park (e.g., public, public/private, or private).
- D) Engage the services of an individual or company(-ies) with expertise in business and industrial park feasibility studies and with connections to the region’s business community.
- E) Meet with developers to discuss business and industrial park concepts and obtain feedback on design, prospective tenants, pricing, and other important issues. The discussion should include selected target sectors for Schertz.
- F) Further refine the conceptual plans and determine specific infrastructure needs.
- G) Explore the feasibility of a foreign trade zone and/or freeport tax exemption for the proposed industrial park.



GOALS, STRATEGIES & ACTIONS	LEAD ORG.	TIMELINE >>					
		ON-GOING	0-6 mos.	6-12 mos.	Yr. 2	Yr. 3	Yr. 4

- H) Develop a business plan for the park, including operations, maintenance, targeted industries/tenants, and pricing structure for lots.
- I) Assess any potential infrastructure (e.g., utilities) and City-services (e.g., fire and police protection) upgrades that would be required by the park.
- J) Begin the construction of and marketing for the business park.
- K) Finalize utility and road needs and determine whether additional incentives should be provided to prospective tenants.

Strategy 2 >> Continue to pursue the development of a new town center for Schertz.	CITY					X	X	
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- A) Continue refining existing conceptual plans for the proposed town center, including the potential mix of uses for the proposed town center, including new city hall, police station, county annex office, school district administrative offices, as well as entertainment venues, restaurants, and retail establishments.
- B) Meet with regional real estate developers to determine if any would be interested in partnering with the City in the development of new mixed-use town center for the Schertz.
- C) Visit other similar town center developments to obtain a better understanding of the concept. One good example is Sugar Land, Texas, a suburb southwest of Houston.
- D) Establish a formal vision for the town center.
- E) Determine the needed level of City assistance, including land acquisition, zoning, infrastructure improvements, and incentives (e.g., sales tax rebates, TIFs).
- F) If a regional developer cannot be engaged, the City and its partners should issue a request for proposals, including a conceptual site plan, to solicit national developer interest.

Strategy 3 >> Continue to pursue destination retail projects for the I-35 corridor.	CITY						X	
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- A) Identify strategic sites along the interstate that the City seeks to encourage retail development.
- B) Rezone preferred sites if necessary.
- C) Assist landowner(s) in promoting property(ies) to regional real estate developers and potential destination retail not already serving the San Antonio market or the northeastern metro retail trade area (e.g., REI, Whole Foods, Ikea).
- D) Consider adding needed infrastructure to facilitate in developments.

Strategy 4 >> Establish a process for developing other destination projects in Schertz.	CITY						X	X
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- A) Assemble/update information on number of parcels, ownership, and price.
- B) Ensure that properties are annexed and/or zoned to allow for the selected uses.
- C) Determine the status of infrastructure and transportation-related improvements that might be needed to support proposed developments.
- D) Determine level of public sector support.
- E) Engage the region's development community by marketing the destination project sites.
- F) Prepare and implement specific plans to guide development of the projects. The planning process should include a broad range of stakeholders, including public officials, citizens, and local employers — especially those who may be prospective tenants.



Goal 3 > Raise awareness of economic development opportunities in Schertz.

The EDC, City, Chamber, and other local entities should undertake a sustained internal and external marketing campaign to generate and promote a progressive image of Schertz. Marketing, advertising, and building a brand are key ways to interact with the Schertz's target audiences and should be viewed as an investment to achieve the goals within this plan.

TIP recommends the EDC and local partners focus marketing efforts on promoting and enhancing the Schertz's image as the premier business destination for the northeastern San Antonio metro area. Assets such as the schools, housing, existing businesses, and specific development opportunities should be promoted through a combination of partner advertising, public relations, and networking.

As with all successful marketing, it is critical to identify target audiences and to focus efforts on them. The primary target audiences for the City should be: 1) local and regional business leaders who can influence business location and other investment decisions, 2) key allies that could influence economic development prospects, 3) members of the region's real estate community, and 4) decision-makers at regional companies within target sectors. The most important audiences, however, are the people and businesses who are already present in Schertz as they have already made some level of investment (both financial and emotional) in the community. They are also the ones who represent Schertz on a daily basis in their business and personal interactions—both regionally and nationally. Making sure that existing residents and local business leaders have a positive image of their community is critical to the success of any external campaign, because they are the people who can best tell the Schertz story to the outside world.



GOALS, STRATEGIES & ACTIONS	LEAD ORG.	TIMELINE >>						
		ON-GOING	0-6 mos.	6-12 mos.	Yr. 2	Yr. 3	Yr. 4	Yr. 5

Strategy 1 >> Build a unified brand for all organizations promoting Schertz.	EDC		X					
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- A) Convene a focus group of area entities to discuss the merits of having a coordinated marketing message for Schertz.
- B) Consider hiring a marketing firm to assist in the development of a marketing message/theme and logo/tagline for Schertz. TIP recommends a theme that incorporates a message promoting Schertz as an emerging business destination for the San Antonio metro area and I-35 corridor.
- C) Incorporate the new theme into current and future economic development marketing and website materials. The website should also incorporate the specific destination project opportunities highlighted in this plan.
- D) Encourage other area entities to incorporate the theme within their websites and marketing collateral as well.

Strategy 2 >> Build awareness of Schertz within the San Antonio-Austin corridor.	EDC		X					
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- A) Design and place advertisements in the San Antonio Business Journal, Austin Business Journal, and other regional publications to promote Schertz generally and destination project opportunities more specifically.
- B) Implement a public relations campaign at regional publications, including establishing relationships with specific reporters as well as sending periodic press releases about recent business successes.
- C) Participate in joint marketing activities with organizations that can refer prospect leads.

Strategy 3 >> Focus promotion efforts on the region’s real estate community.	EDC			X	X	X		
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- A) Continue to improve geographic capabilities and property information on the EDC’s website. Consideration should be given to including links to GIS and/or real estate listing services. TIP recommends the EDC consider the following:
 - CoStar www.costar.com
 - Xceligent: www.xceligent.com
 - Loopnet: www.loopnet.com
 - gCensus: gecensus.stanford.edu
 - ESRI: www.esri.com
 - GIS Planning: www.gisplanning.com
- B) Maintain an inventory of available properties, especially those highlighted in this plan, on the website with specifications regarding size, build-out, incentives, infrastructure, and timing regarding availability. Update this page on a regular basis.
- C) Create local events to attract the interest of the real estate community, including hosting an Annual Economic Development Summit attended by regional developers in conjunction with a familiarization tour (“fam tour”) of the community and destination project sites.



GOALS, STRATEGIES & ACTIONS	LEAD ORG.	TIMELINE >>						
		ON-GOING	0-6 mos.	6-12 mos.	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Strategy 4 >> Conduct a coordinated target industry marketing campaign.				X	X	X	X	X

- A) Create and maintain a database of regional and national companies for each target.
- B) Develop local intelligence and expertise for each targeted industry.
- C) Design marketing material and initial direct mail programs for each target.
- D) Initiate telemarketing campaign for appointment setting.
- E) Track success of campaign using contact management system.
- F) Evaluate effectiveness of each marketing channel (e.g., mail-outs, telemarketing, trade events) and adjust marketing activities accordingly.

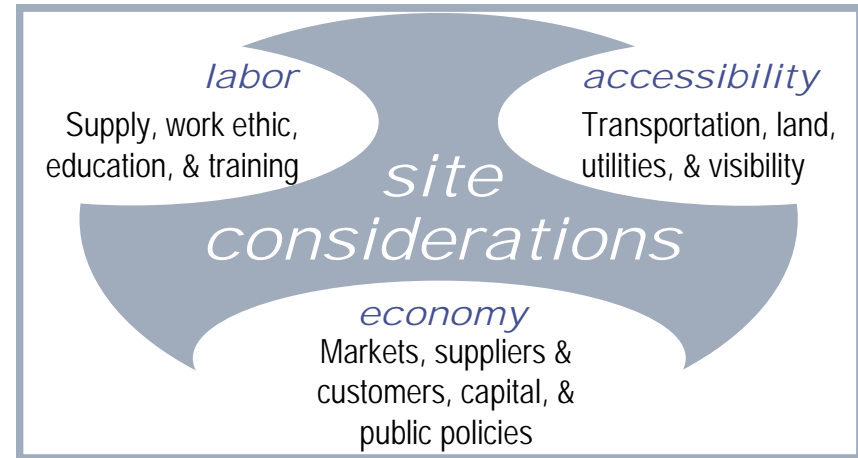


TARGET SECTOR PROFILES

Methodology

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. Our target industry recommendations are not based solely on these factors, but also on conversations with the region's business leaders to better understand potential opportunities and challenges that might not be readily identifiable through secondary data sources alone. The TIP team also brings to bear its understanding of broader macroeconomic and social trends, such as consumption patterns/consumer spending, emerging markets/international trade, and demographic shifts/aging workforce to better understand long-term recruitment and development prospects. Finally, TIP also strongly takes into consideration how the potential targets might fit within the overall vision for the community and the strategic framework plan, as well as how each might affect Schertz's attractiveness to existing and future residents. In sum, TIP identified target sectors for Schertz, using a three-pronged approach: quantitative, qualitative, and strategic.

TIP examined both traditional and nontraditional target opportunities for Schertz. Traditional targets represent the types of industries that have historically been marketed to by economic development organizations. These might typically include traditional manufacturing sectors as well as other related industrial and/or transportation activities. Traditional targets often represent the first tier of economic opportunity. While a number of such economic activities take place in Schertz, interviews with local residents and leaders revealed a broad desire to raise the bar for business recruitment as a means for protecting Schertz's quality of life, enhancing its image, and emerging as a premier destination for the region. As a result, the TIP team considered a number of other non-traditional targets. These sectors pose unique challenges for economic development practitioners and require the creative use of marketing and non-traditional tools to achieve success. For example, many opportunities may only be presented through the Schertz EDC's ability to identify niches within emerging sectors, which tend to be strongly tied to innovation and the retention and attraction of talented professionals.



Healthcare cluster

General medical and healthcare services, outpatient and ambulatory services, and health informatics

Industry trends:

Access to healthcare, both primary care and emergency care is viewed as both a quality of life issue for residents and an economic issue for communities. The presence of healthcare facilities is also seen as key in location decisions for most industries. Access to healthcare is an important factor in corporate location decisions for a number of reasons, including proximity to emergency medical services for industrial employers as well as the quality family care and ambulatory medical services for white collar professionals and their families,

With the continued loss of manufacturing jobs, once the most critical driver in local economic development, communities are becoming more reliant on the healthcare industry as a source of employment and tax revenue. Growth in the U.S. healthcare sector is largely driven by two major factors: population growth and an aging population. As the Baby Boom generation approaches retirement age, a larger share of all consumer spending in the nation is being spent on healthcare related expenses.

Much like other economic sectors, American healthcare is undergoing a profound transition through the increased use of information technology to improve efficiencies in services and treatment of disease. In some ways, the sector has been late in adopting **health informatics**; however, recent efforts to curtail rising expenses (including the recently passed health insurance reform bill) are expected to increase the demand for related products and services.

Definition

***Healthcare services** include establishments providing health care for individuals, including ambulatory health care services and hospitals. The services provided by establishments in this sector are delivered by trained professionals. All industries in the sector share this commonality of process, namely, labor inputs of health practitioners with requisite expertise.*

***Health informatics** is an emerging field combining advances in information technology and health care and includes software for electronic medical records, portable devices used in aiding diagnoses, and other decision support systems.*

Selection rationale

- Availability of trained or trainable healthcare workforce (i.e., semi-skilled healthcare aides, registered nurses, healthcare technicians, highly trained doctors)
- Proximity to institutions of higher learning and medical schools (research and development and healthcare training facilities)
- Proximity to population growth centers and retiree destinations
- Availability of medical and professional office space



Transportation equipment suppliers

Toyota & caterpillar suppliers.

Industry trends:

The U.S. auto industry is currently in the throes of a major restructuring. As opposed to the problems facing the U.S. auto manufacturers in past decades, this downsizing is not the result of quality problems. Instead, American companies are faced with crushing benefits commitments to labor. For example, GM is second only to the federal government in health care spending totaling approximately \$100 billion annually to more than one million Americans. As a result, \$1,500 of the cost for every GM car goes to pay those benefits.

Foreign car companies are not saddled with such burdens since their overseas employees are covered by nationalized healthcare. Therefore, they can spend more on product research, development, design, and marketing and still offer their vehicles at a lower price, making imported cars and trucks more attractive to the American public. In addition, many have been heavily investing in new plants in North America—but in places where labor costs are lower and unions are less prevalent. America's southern tier has notably benefited from these decisions. Prior to 1950, 78 percent of all North American auto assembly plants were located in the Midwest and Northeast. Since 1990, however, 78 percent of all new facilities by both foreign and domestic manufacturers have been destined for southern states or Mexico.

While American-owned companies will continue to downsize much of their manufacturing capacity over the next several years, foreign-owned companies will continue to scout for locations throughout North America. The U.S. still represents a huge market for new cars and trucks and, due to shipping costs and public relations considerations, manufactures still prefer to be located near their customer base. As a result, the automotive industry will remain in America's future, but the companies making of vehicles sold here will continue to evolve.

Schertz's proximity to the Toyota Tundra facility in San Antonio and access to the recently announced consolidation of Caterpillar's operations in Seguin present the community with a unique opportunity to attract investment from automotive and heavy industrial transportation equipment suppliers.

Definition

Transportation equipment includes companies that manufacture passenger cars, light trucks, and/or light commercial vehicles. The industry also encompasses firms that manufacture and/or distribute original equipment manufacturer (OEM) and/or aftermarket automotive components and/or accessories. In addition, the auto industry's reach extends to materials suppliers ranging from steel to plastics.

Selection rationale

- Skilled and/or trainable labor
- Proximity to assembly plants and other parts and materials suppliers
- Large industrial sites with good transportation access (e.g., rail served sites and interstate access)
- Business costs, including labor and taxes
- Adequate utilities infrastructure (e.g., electricity, water/wastewater)



Advanced logistics & distribution

Automated warehousing, distribution, final assembly

Industry trends:

During the last decade, Sunbelt states have emerged as the new industrial Heartland as an increasing share of the nation's manufacturing and logistics activity has shifted southward. Part of this shift is due to the mass migration from cooler Northern climates to the South. NAFTA and an exponential increase in trade between the U.S. and Mexico has been the other catalyst for this shift. Evidence can be seen by increased shipments and traffic along southern interstates and rail lines and at southern sea and airports.

While changes in the domestic economy are forcing logistics and distribution service providers to relocate to the South, more fundamental shifts are occurring within the industry. Increased global trade, containerization, just-in-time inventory management, and technology are driving these changes. Their primary goal of is process optimization to increase efficiencies through standardization in packaging and the increased use of technology. Also, firms are beginning to geographically cluster their activities, spurring a new trend in the development of multi-modal logistics parks. Another major trend is the increased outsourcing of services by manufacturers to maintain low inventories in-house, prompting the proliferation of third-party logistics providers.

Standardized packages and containers allow for inter-modal shipments of cargo. Goods can remain in the same container whether towed on a truck, stacked on a railcar, or placed on a ship. In addition, tracking cargo electronically permits time-specific delivery. Manufacturers have increasingly depended on just-in-time inventory management, stimulating the use of scheduled freight contracts in the U.S. trucking industry. These factors have also played a strong role in recent logistics merger and acquisition activity, as cargo carriers seek to improve efficiencies and cut costs through inter-modal partnerships. Warehousing is increasingly being viewed as a viable strategy for attracting final assembly work as part of the distribution process.

Definition

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

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

Selection rationale

- Proximity to major population centers
- Access to manufacturers
- Quality of regional transportation network, especially interstate and rail
- Availability of large tracts of affordable industrial land with access to multimodal transportation infrastructure
- Availability of warehouse and distribution space



Clean tech

wind turbine manufacturing, solar cells, green building systems

Industry trends:

The recent emergence of global warming as a serious political issue in the U.S. coincided with a major spike in energy prices and deregulation of many state electricity markets. This perfect storm of events created enormous interest in the development of energy sources and production technologies as an alternative to hydrocarbons, such as petroleum, natural gas, and coal. Large corporations from Wal-Mart to Dell Computer are now implementing significant steps toward reducing their carbon emissions. If investment capital continues to flow into energy technology and if customers buy the products, then new and expanding businesses can be anticipated in this sector. Those places that recognize and capitalize on this trend position their regions for future job growth. These and other factors (e.g., climate concerns) have prompted a serious reconsideration of “alternative” and/or renewable energy resources, such as wind, solar, biomass/biofuels, hydrogen fuel cells, nuclear, and “clean-burning” coal among others. Moreover, the current administration’s emphasis on federal financial support and incentives for “alternative energies,” as well as pending legislation regarding capping greenhouse emissions, should provide additional stimulus to research and development in this sector for the next several years.

As the cost of “green building” technology declines, its use in the construction industry, both commercial and residential, will increase. Developers and investors are using this technology for profit as well as for environmental reasons. Because energy accounts for one-quarter to one-third of a commercial structure’s operating expenses, reducing those costs can be a powerful incentive. Many of the manufacturers and distributors of these products may find it helpful to have a presence in large, fast-growing area like the I-35 corridor. Reinforcing the trend in green building is the construction industry’s movement towards more integrated building systems. The construction industry is on the verge of a revolution fueled by the integration of new materials, information technology, design, and modular assembly. Builders and contractors are learning to use these tools to generate greater efficiencies and effectiveness in climate-controlling, weatherproofing, security systems, and time and cost required for construction. Increasingly, homes are being constructed through the use of integrated and intelligent building systems, a technique that combines advanced machinery and prefabrication in order to construct buildings in less time and at less cost.

Definition

*Innovative technologies in the **energy sector** usually involve renewable or “sustainable” sources of fuel, but may also include applications to harness the potential of fossil fuels in much cleaner ways. Those power sources most commonly associated with “clean energy” potential include solar, wind, biomass, energy-from-waste, fuel cells, alternative batteries, and hybrid engines. The R&D, manufacture, and deployment of these types of innovations are grouped under the broadly defined category of “energy technology”.*

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

Selection rationale

- Strong regional population growth, stimulating the need for expanded energy capacity.
- Growing regional presence of alternative energy suppliers.
- Increasing use of federal, state, and local subsidies to attract clean tech investment.
- Emerging cluster of wind, solar, and battery technologies in South Central Texas.



Professional/technical services

Architectural, engineering, information technology, and regional headquarters.

Industry trends:

Professional, technical, and scientific services, as an industry, has been one of the primary generators of employment growth and economic vitality for the last 20 years and is expected to remain a critical driver for the foreseeable future. While overall manufacturing employment has remained stagnant since the early 1970s, services employment has tripled. In other words, the U.S. has essentially transitioned from an economy based on producing goods to one that provides services. In fact, the greater business and professional services sector — of which professional, technical, and scientific services is a subset — has emerged as the backbone of the modern American economy. This broad sector includes a great number of activities, such as advertising and marketing, consulting, management services, technical and scientific research and design, and financial, insurance, and real estate services. One of the primary factors behind the sector's job growth is a marked increase in entrepreneurship in the American economy.

With the exception of technical services, which typically follow a specific, specialized customer base, three primary factors drive the location decisions of business and professional services: proximity to customers, access to an educated workforce, and quality of life considerations. By and large, these assets are found in abundance primarily in larger metropolitan regions. Technical and scientific services tend to be more specialized and tied to a specific export sector and/or regional research capacity.

In addition, the presence of a well-developed business and data services sector is important in the growth of software and other information technology (IT) enterprises. The presence of a strong local software and IT sector has become critical as their use comprises an increasing share of the value of all products and services. This trend will likely only be compounded in the future as technological advances continue to revolutionize both "high tech" and traditional industries alike.

Definition

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

Selection rationale

- Availability of Class A office space, tech/flex space, and research and technology parks
- Proximity to customers.
- High visibility or "prestige" development sites
- Broadband internet connectivity
- Access to educated, younger workforce
- Quality of place, including executive housing; schools; entertainment, recreational, and retail amenities; and overall image of community within a region.



Destination retail & leisure

Upscale retail, niche dining, entertainment, hotels & motels

Industry trends:

The retail trade and leisure sectors have been among the leading national job creators during the last several years, driven by increased consumer spending and population growth, especially in locations with natural and/or man-made amenities. While these industries are not known for offering high wage jobs, they remain important to local government for their contributions to sales.

In addition, retail and leisure are increasingly being viewed as amenities 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—who are interested in retaining and recruiting workers—have come to realize the importance of retail and leisure assets.

Retail and leisure amenities also strongly influence the attraction of visitors and, eventually, retirees. Increasingly, communities are coming to realize the potential for linking these two groups. 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. Today's retirees are much more affluent than past generations and are more likely to increase consumer spending in the area, especially increasing demand for the region's healthcare economy. The leading edge of baby-boomers is set to retire in the coming years, but analysts expect the nature of their retirement to be distinctly advantageous as they are anticipated to be more active community participants and more likely to start up new business enterprises.

Definition

***Destination retail** refers to those stores that attract customers regardless of the location, as opposed to a business that relies on convenience of location for its customers. In other words, these retailers do not solely rely on a local market but have the ability to bring in customers from a larger retail area and can, therefore, serve to bring in outside dollars to a community.*

*The **leisure** sector includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons, including live performances, exhibit objects and sites of historical, cultural, or educational interest; and/or 3) operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests.*

Selection rationale

- Access to population/consumers with disposable income
- Sites with high visibility on major freeways with high traffic counts
- Access to natural (e.g., lakes, national parks etc.) and cultural amenities (e.g., fine arts, performing arts, historical attractions)
- Concentration of hotels and restaurants
- External image of the community



DATA ANALYSIS

The primary goal for the following assessment is to arrive at a common understanding of Schertz’s unique economic strengths, weaknesses, opportunities and threats. This analysis is expressed in the context of the regional and national economies as a means for understanding Schertz’s relative position and highlighting its latent and potential competitive advantages.

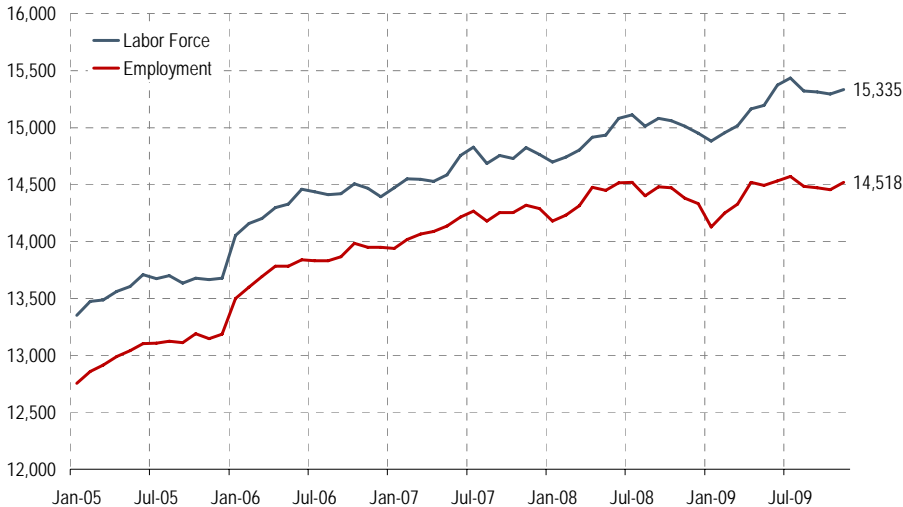
SWOT

TIP conducted an economic development SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats) for Schertz, based on a review of economic and demographic characteristics, interviews with local/regional business and community leaders, and our experience working with communities across the country. The following table captures the major findings from this analysis:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ▪ Growing regional and local labor force ▪ Educated ‘white collar’ workforce ▪ School district ▪ Quality development ▪ Access to I-35 & I-10 	<ul style="list-style-type: none"> ▪ Industrial image of community along I-35 ▪ Lack of established town center
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ▪ Improved community development: town center development and Main Street ▪ Rail station development ▪ Recreational destination ▪ Industrial park development on I-10 ▪ Conference/convention center ▪ Higher education 	<ul style="list-style-type: none"> ▪ Continued downturn in commercial markets ▪ Jobless recovery ▪ Stagnant consumer spending ▪ Growth management

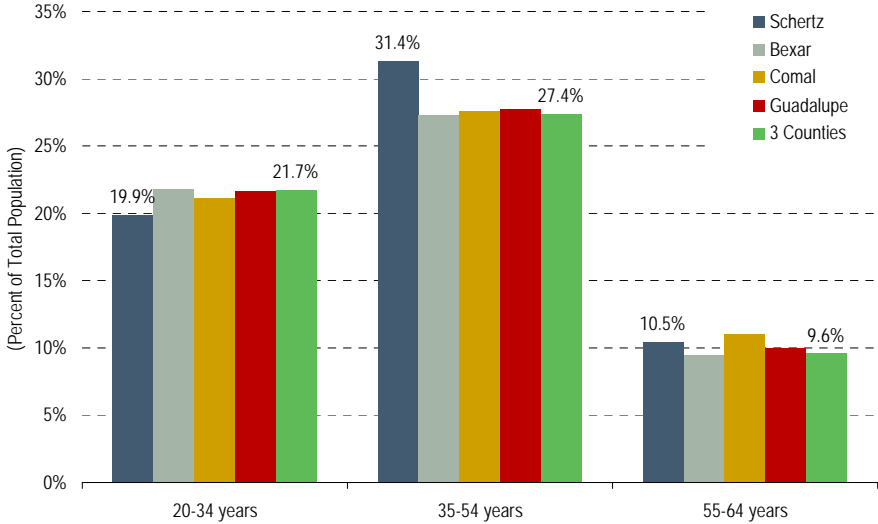


LABOR FORCE & EMPLOYMENT, 2005-PRESENT
Schertz Residents



Source: Texas Workforce Commission

WORKING AGE POPULATION GROUPS, 2006-2008
Schertz & surrounding area



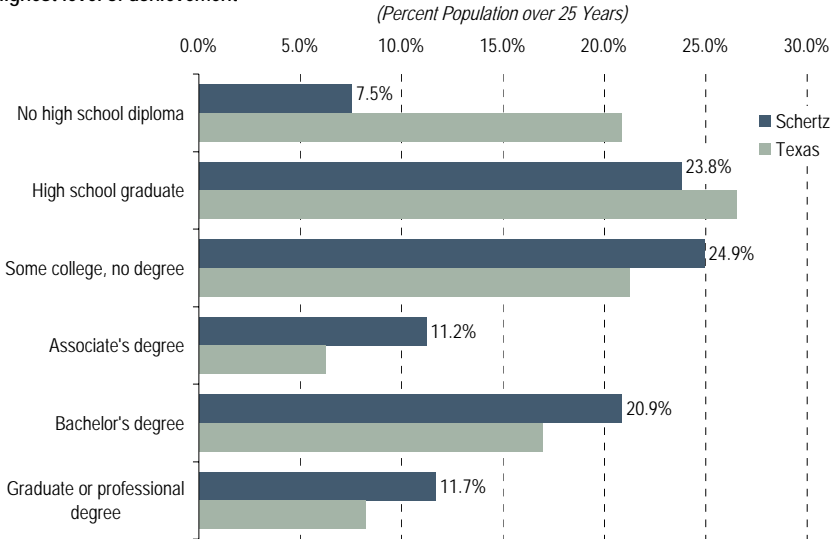
Source: US Census Bureau's American Community Survey

Labor Force

- Since the middle of the last decade, Schertz has continued to see strong growth in the number of employed residents and labor force.
- Since the beginning of the recession, the gap between the labor force and employed residents has only risen slightly.
- In comparison with the surrounding region, Schertz has a high share of residents who are of typical working age population.

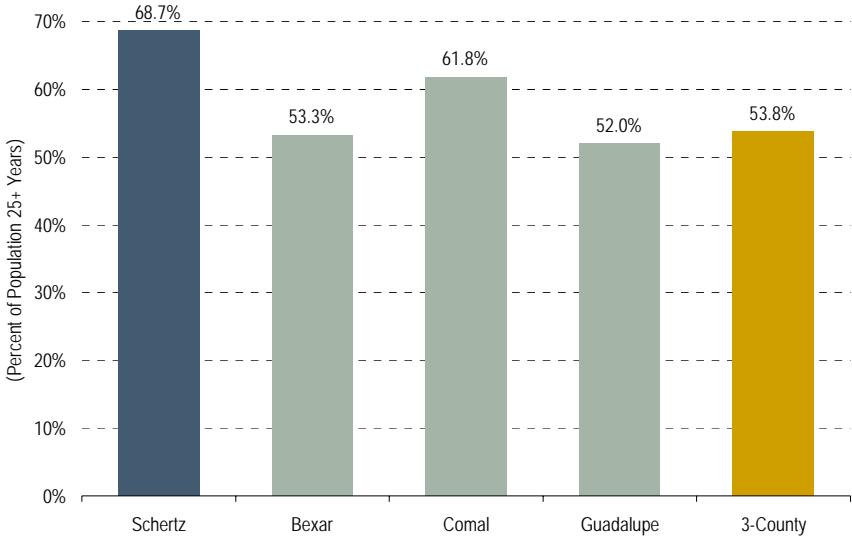


EDUCATIONAL ATTAINMENT, 2006-2008
Highest level of achievement



Source: US Census Bureau's American Community Survey

POPULATION WITH SOME COLLEGE EXPERIENCE, 2006-2008
Schertz & surrounding area



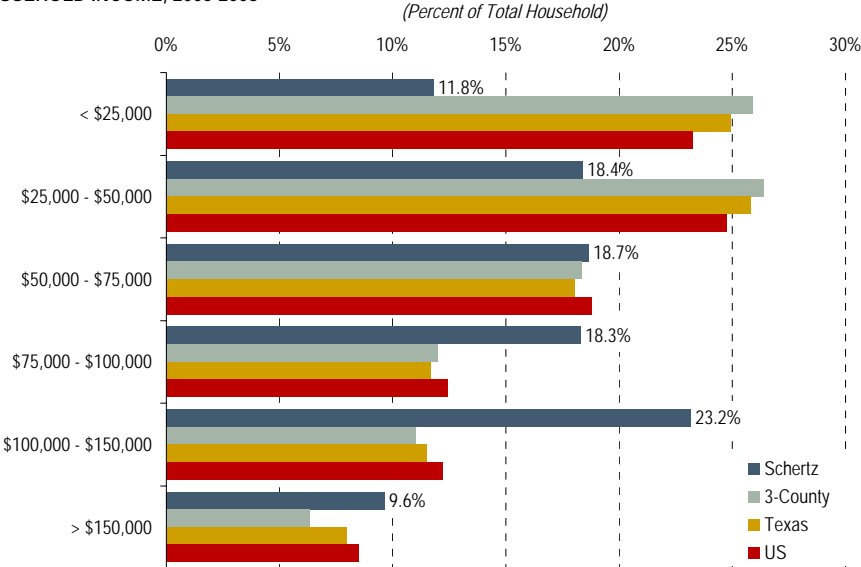
Source: US Census Bureau's American Community Survey

Education

- Compared to the state as a whole, Schertz offers existing and potential employers with a highly educated workforce.
- For example, the share of local residents who have no high school diploma is approximately three times smaller than Texas.
- Almost 70 percent of local residents have at least some college experience, a much higher share than the surrounding area.

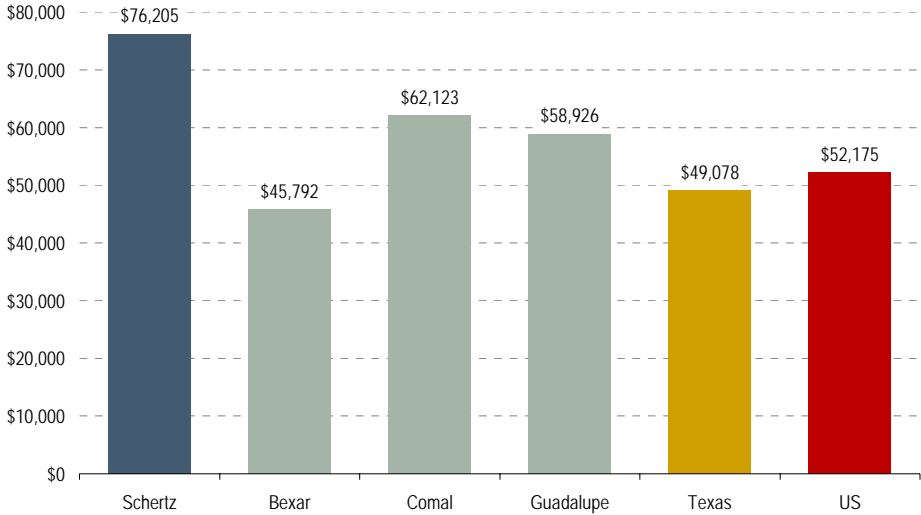


HOUSEHOLD INCOME, 2006-2008



Source: US Census Bureau's American Community Survey

MEDIAN HOUSEHOLD INCOME, 2006-2008



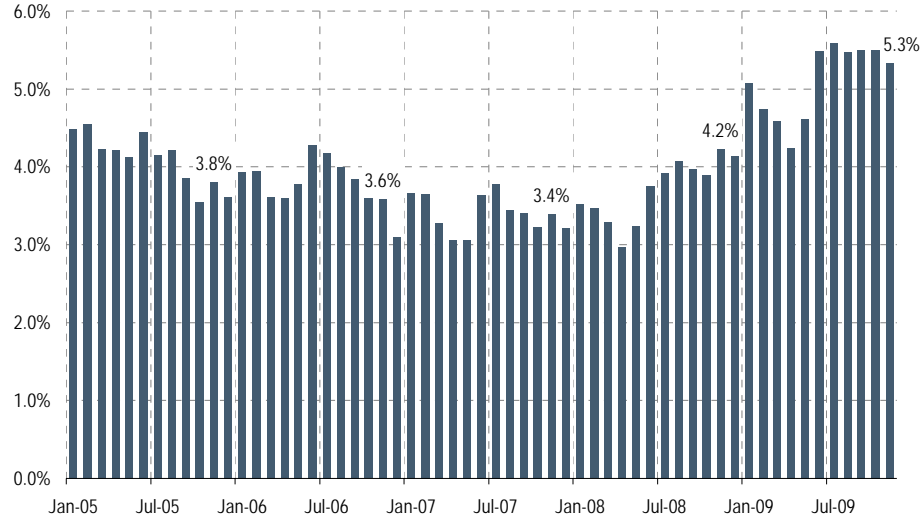
Source: US Census Bureau's American Community Survey

Income

- Local households are primarily middle class and upper income.
- Only 30 percent of households in Schertz have a gross annual income below \$50,000. In comparison, roughly half of all households nationally and statewide fall under this threshold.
- The median household income in Schertz is approximately \$76,000, providing a strong demographic for potential retail and entertainment businesses.

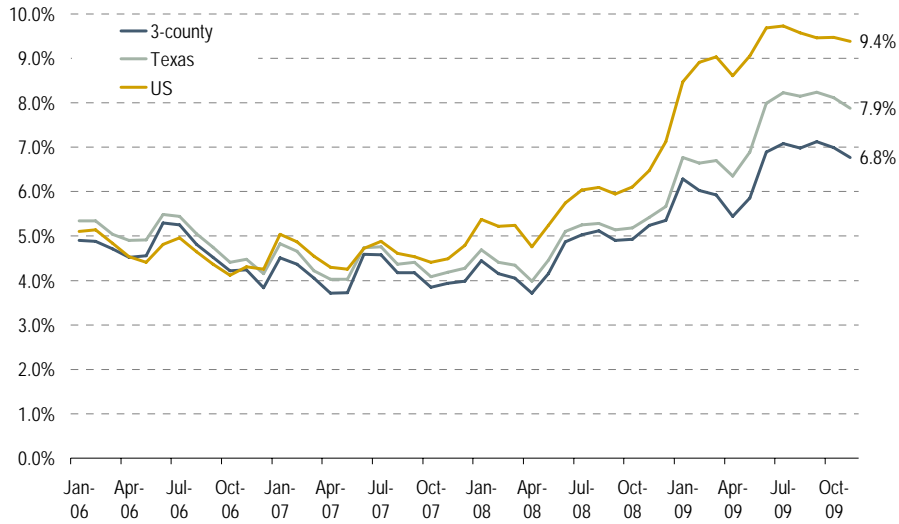


UNEMPLOYMENT RATE, 2005-PRESENT
Schertz Residents



Source: Texas Workforce Commission

UNEMPLOYMENT RATES, JAN. 2006-PRESENT (not seasonally adjusted)
3-County Region, Texas & US



Source: Texas Workforce Commission

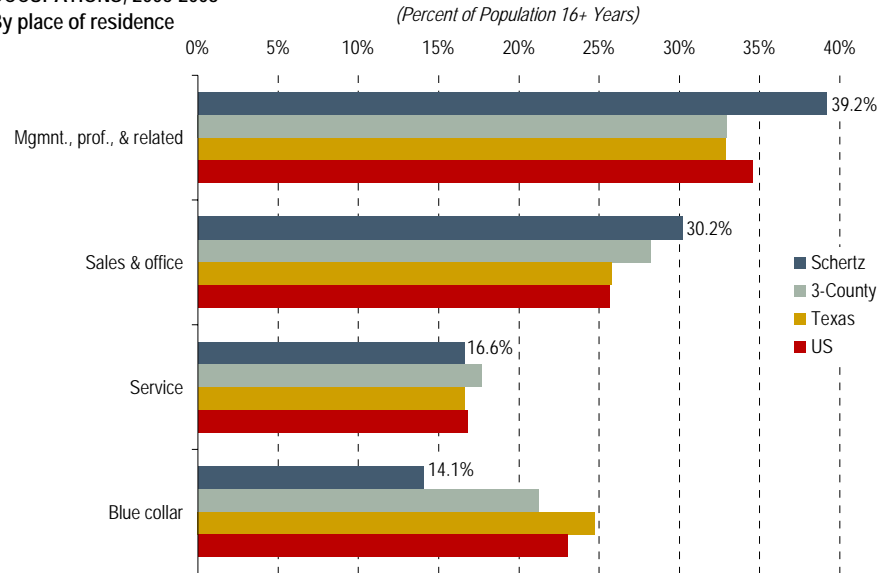
Unemployment

- Schertz has historically enjoyed a much lower unemployment rate than the surrounding region, state, and nation.
- And, in spite of the recession, the local unemployment rate remains relatively low.
- While the rate has risen, it has not risen as sharply as elsewhere. This is likely due to the fact that the local labor force is highly educated and can still find employment opportunities within the region.



OCCUPATIONS, 2006-2008

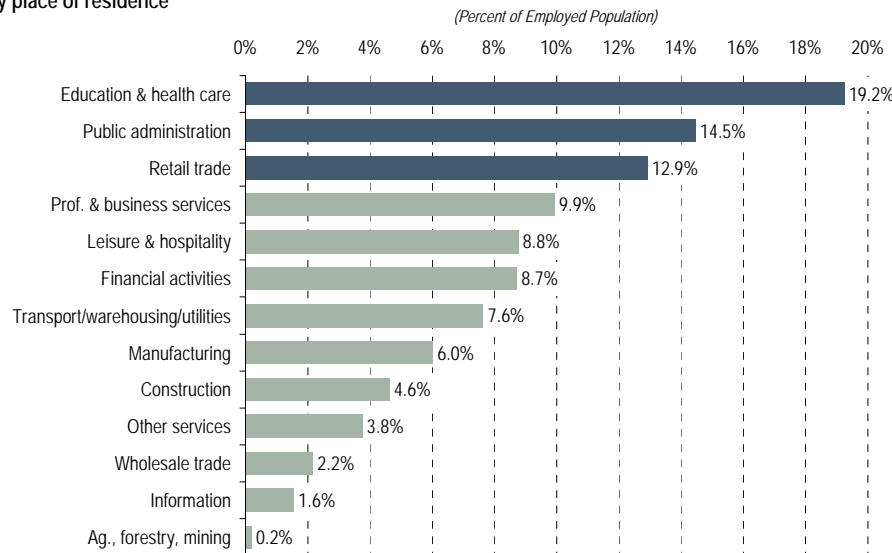
By place of residence



Source: US Census Bureau's American Community Survey

SCHERTZ EMPLOYMENT BY INDUSTRY, 2006-2008

By place of residence



Source: US Census Bureau's American Community Survey

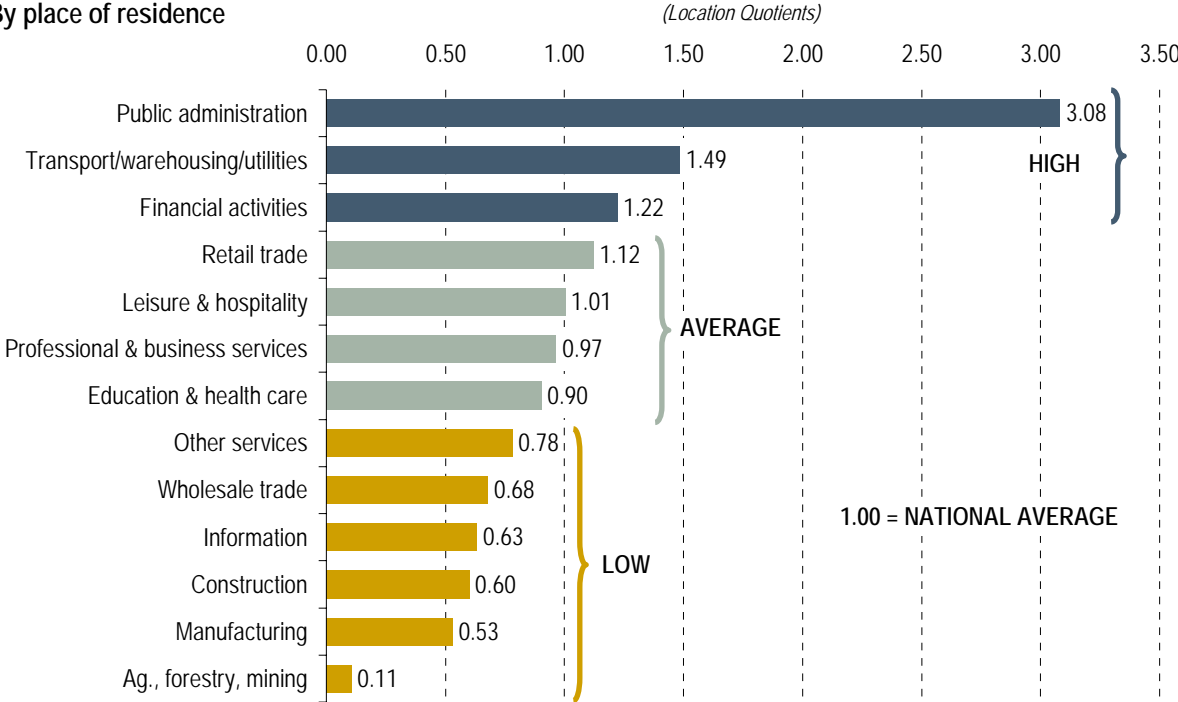
Occupational and employment distribution

- For those living in Schertz, the most common type of job function can be categorized as a management, professional, or related occupation (39 percent of employed residents).
- Only 14 percent of local workers are employed in “blue collar” positions, compared to nearly a quarter statewide.
- As a corollary, over a third of these workers are employed within education, healthcare, and public administration sectors.
- An additional 20 percent are employed in the professional and business services, financial activities, and information sectors.
- Only 7.6 percent are employed in the transportation, warehousing, and utilities sector.
- Six percent of local workers are employed in manufacturing.



SCHERTZ LOCATION QUOTIENTS, 2006-2008

By place of residence



Source: US Census Bureau's American Community Survey; TIP Strategies

Employment Specialization

- As opposed to simply looking at the share of local employment by industry sector, location quotients provide a means for measuring the relative concentration of employment.
- On the previous page, the share of local residents employed in public administration was 14.5 percent. Here, that figure is translated into an LQ of 3.08. This means that the number of residents employed in this sector is more than three times higher than the national average. Clearly, the nearby Randolph Air Force Base plays a major role in this high rate.
- Other sectors employing a greater than average number of local residents include transportation/warehousing/utilities and financial activities.
- On the other hand, the lowest employment concentrations by industry on are in construction, manufacturing, and ag-related sectors.

Understanding LQs

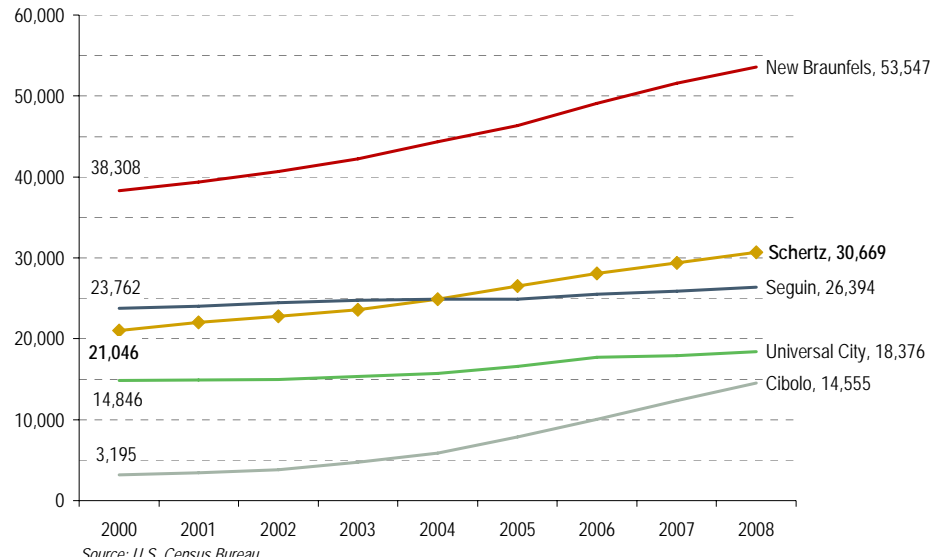
A location quotient (LQ) is calculated as a local sector's share of total local employment divided by the same sector's share of employment at the national level:

$$LQ = \frac{\text{Local jobs in sector} / \text{Total local jobs}}{\text{U.S. jobs in sector} / \text{Total U.S. jobs}}$$

If the local and national sectors are perfectly proportional, the location quotient will be 1.00. If a sector is heavily concentrated at the local level, then the location quotient will be higher than 1.00. Conversely, if the sector is sparsely concentrated at the local level, the location quotient will be lower than 1.00.



POPULATION ESTIMATES COMPARISON, 2000-2008
July estimates

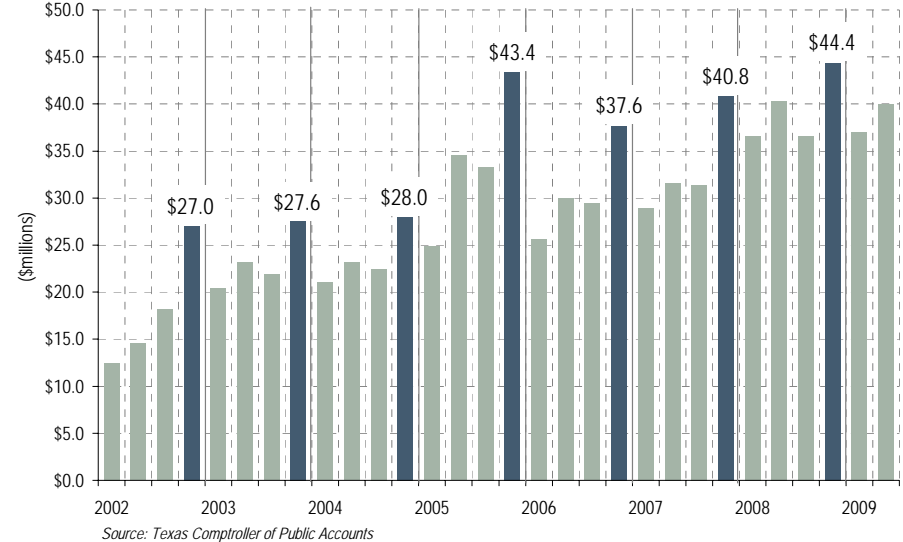


Population growth comparison

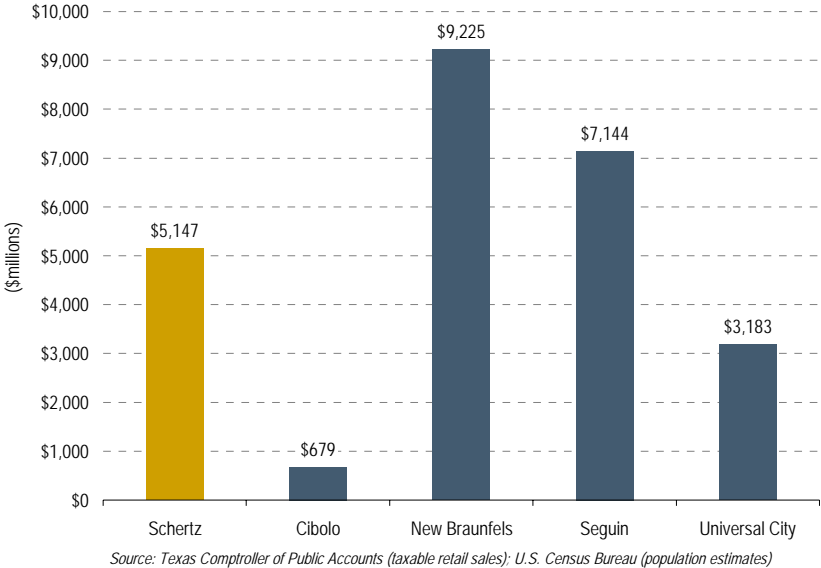
- From 2000 to 2008, Schertz’s population base increased approximately 50 percent.
- In 2008, the local population stood at approximately 31,000 residents, making it the second largest community on the northeastern side of the San Antonio metropolitan region.
- Nearby Cibolo’s population also increased at a very rapid rate during the last decade.



TAXABLE RETAIL SALES BY QUARTER, 2002-2009
City of Schertz



PER CAPITA TAXABLE RETAIL SALES COMPARISON, 2008



Retail sales

- Local taxable retail sales increased within the last several years. The largest gain occurred between 2005 and 2006.
- Since that time, the quarter which includes Christmas shopping has remained relatively flat as the remaining quarters steadily increased.
- In comparison to the surrounding area, Schertz's taxable retail sales on a per capita basis remain lower than New Braunfels and Seguin. This would indicate that additional retail capacity might be available within the local market.



Schertz Major Employers

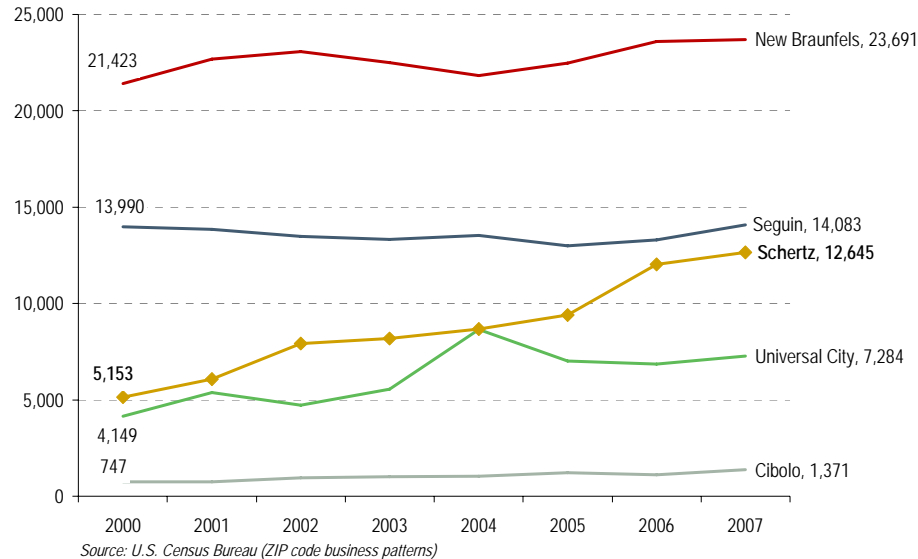
NAME	ACTIVITY	FTEs
Eye Care Centers of America	MFG - Optical goods	320
Brandt Engineering	Engineering/mechanical contractors	300
Republic National	Distribution	220
Lack's Furniture	Warehouse/distribution	200
Diamond Valero	Distribution	200
Theis	Distribution	125
Manco Structures	MFG – concrete products	120
FedEx Freight East	Trucking/freight carriers	120
Gerard Electric	Electrical contractors	100
Cal-Tex Protective Coatings	MFG/Distribution – paint & coating products	90
Magnum Engineering	Engineering	80
Metro Ambulance	Ambulance services	80
Shook Mobile Technology	MFG - motor vehicle bodies	60
Technos Corp.	MFG/distribution – industrial fans	50
Southeastern Freight	Trucking/freight carriers	50
Safeguard Security Services	MFG - bullet/blast protection products	48
Universal Forest Products	MFG/distribution – wood products	40

Major employers

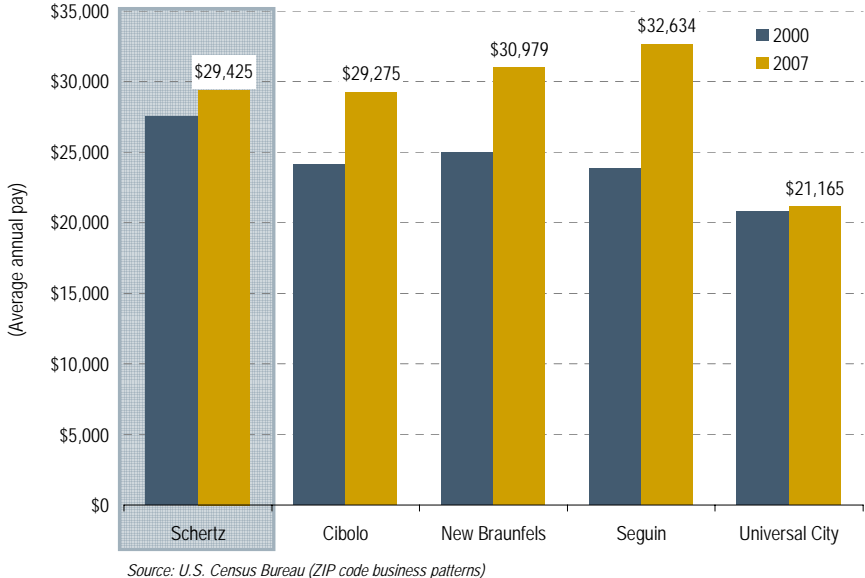
- While a plurality of local residents are highly educated and work in white collar sectors, most of the community's major private sector employers represent traditional blue collar sectors.
- This listing of major employers is dominated by distribution and related sectors, such as warehousing and trucking.
- Most local manufacturers appear to be related to building products and transportation equipment.



TOTAL PRIVATE SECTOR EMPLOYMENT, 2000-2007
for all ZIP codes in each city



AVG. PAY PER PRIVATE SECTOR JOB, 2000 & 2007



Local jobs and wages

- The number of private sector jobs physically located within Schertz rose sharply from 2000 to 2007 (the latest year for which these data are available).
- During that time, the number of jobs increased from just over 5,000 to nearly 13,000. If Schertz-located employers continued to increase, it would appear that the community may have already equaled or surpassed their Seguin-based counterparts by now.
- Regardless, these data appear to validate the notion that Schertz is emerging as a business destination for the northeastern San Antonio metro area.
- During the same period, however, the average pay for these positions has increased only slightly. In 2000, wages for jobs located in Schertz paid higher than elsewhere within the area. By 2007, the average wages for jobs in New Braunfels and Seguin had surpassed the community.

