

City of Houston, Texas, Ordinance No. 1999-757

AN ORDINANCE APPROVING THE PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN FOR REINVESTMENT ZONE NUMBER FIFTEEN, CITY OF HOUSTON, TEXAS (EAST DOWNTOWN AREA); AUTHORIZING THE CITY SECRETARY TO DISTRIBUTE SUCH PLANS; CONTAINING VARIOUS PROVISIONS RELATED TO THE FOREGOING SUBJECT; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, by City of Houston Ordinance No. 1999-696, adopted July 7, 1999, the City created Reinvestment Zone Number Fifteen, City of Houston, Texas (the "East Downtown Zone") for the purposes of development within the area of the City generally bounded by Present Street on the northeast, Dowling Street on the southeast, Interstate 45 on the southwest and US Highway 59 on the northwest (the "East Downtown area"); and

WHEREAS, the Board of Directors of the East Downtown Zone has approved the Project Plan and Reinvestment Zone Financing Plan attached hereto for the development of the East Downtown Zone; and

WHEREAS, the City Council must approve the Project Plan and Reinvestment Zone Financing Plan; **NOW, THEREFORE,**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. That the findings contained in the preamble of this Ordinance are declared to be true and correct and are hereby adopted as part of this Ordinance.

Section 2. That the Project Plan and the Reinvestment Zone Financing Plan attached hereto for Reinvestment Zone Number Fifteen, City of Houston, Texas, are hereby determined to be feasible and are approved.

Section 3. That the City Secretary is directed to provide copies of the Project Plan and Reinvestment Zone Financing Plan to each taxing unit levying ad valorem taxes in the East Downtown Zone.

Section 4. That City Council officially finds, determines, recites and declares a sufficient written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, considered and formally acted upon. That City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 5. That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 21st day of July, 1999.

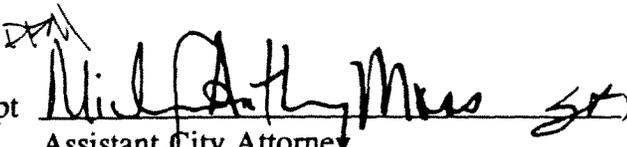
APPROVED this _____ day of _____, 1999.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is JUL 27 1999.



City Secretary


(Prepared by Legal Dept Michael Anthony Messer
(MAM\mam 7/12/99) Assistant City Attorney
(Requested by Robert M. Litke, Director, Planning and Development)
(L. D. File No. 61-99058-03)

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**TAX INCREMENT REINVESTMENT ZONE NUMBER FIFTEEN,
CITY OF HOUSTON
(EAST DOWNTOWN REINVESTMENT ZONE)**

PROJECT PLAN AND REINVESTMENT ZONE FINANCING PLAN

July 11, 1999

**Prepared By:
Hawes Hill & Patterson Consultants, L.L.P.**

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PROJECT PLAN

I. MAPS SHOWING EXISTING USES AND CONDITIONS OF REAL PROPERTY IN THE ZONE AND MAPS SHOWING PROPOSED IMPROVEMENTS TO AND PROPOSED USES OF THAT PROPERTY

The zone is located on the eastern border of downtown Houston generally bounded by US 59 (Chartres Street) on the west, Preston Avenue on the north, Dowling on the east, and IH 45 (Gulf Freeway) on the south. The area of the Zone is approximately 66 acres. Map 1 depicts the boundary of the Zone. The Zone boundary is described in the Appendix. Map 2 and 3 are an aerial photo showing the existing conditions and depicting the current land use.

Based on current infrastructure conditions, development and redevelopment within the proposed TIRZ cannot occur despite the revitalization of the surrounding area where adequate infrastructure exists. The planned expansion of the George R. Brown Convention Center will further serve to cut-off vehicular and pedestrian traffic between Central Business District and the East Downtown area. In its present condition, current land uses within the proposed TIRZ will continue to detract and be an eyesore to those who visit Enron Field and downtown Houston.

Analysis of Harris County Appraisal District data shows that that there has been a 40% decrease in appraised property values within the boundary of the Zone over the past ten years.

The area in the Zone substantially constrains development because of the existence of the following conditions:

- a substantial number of substandard, slum, deteriorated, or deteriorating structures;
- a predominance of defective or inadequate sidewalks and street layout;
- open and vacant land subject to illegal dumping;
- substandard water, sewer and drainage infrastructure;
- open and vacant land with abandoned rail infrastructure; and
- a stagnant tax base in comparison to the remainder of the city.

This Project Plan documents these existing conditions on the following pages. Exhibits A and B documents the illegal dumping on public right-of-way and private property. This illegal dumping promotes an environment of unsafe and unsanitary conditions.

Exhibit C is view facing south at Hutchins and Capitol. The picture demonstrates one example out of many within the Zone where public streets, storm drainage, sidewalks, and lighting are non-existent. The second picture is a view of Bastrop. Although Bastrop is platted, the street does not exist between McKinney and Polk.

Exhibit D shows a view looking east at Clay and Hutchins. The Exhibit shows that the Clay Street right-of-way is fenced off and the street does not exist. The second picture shows the vacant and blighted property with an abandoned rail line.

Exhibit E is representational of the general condition of the street infrastructure within the Zone. The first picture is a west view of Clay Street looking towards downtown. The previous Exhibits also depict the general condition of the street infrastructure.

Exhibits F and G show four examples of the general condition of structures located within the Zone. Over 25% of the structures within the Zone are open and vacant, boarded, covered with graffiti, or overgrown with weeds, vines and shrubs.



EXHIBIT A



EXHIBIT B

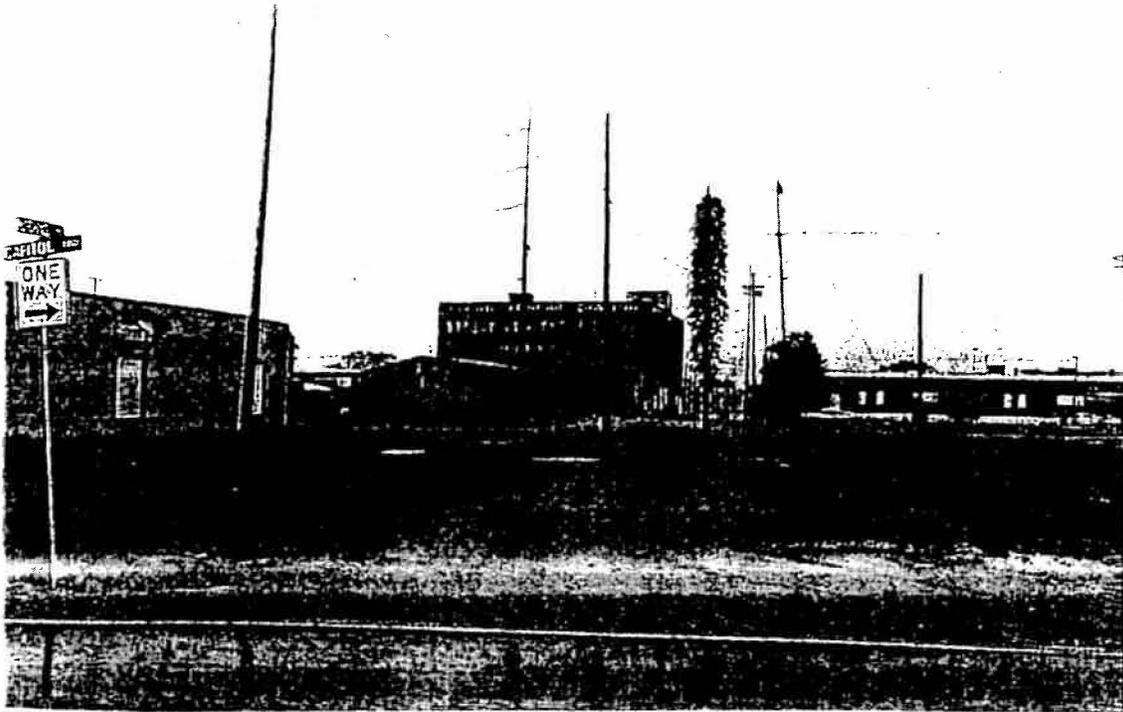


EXHIBIT C

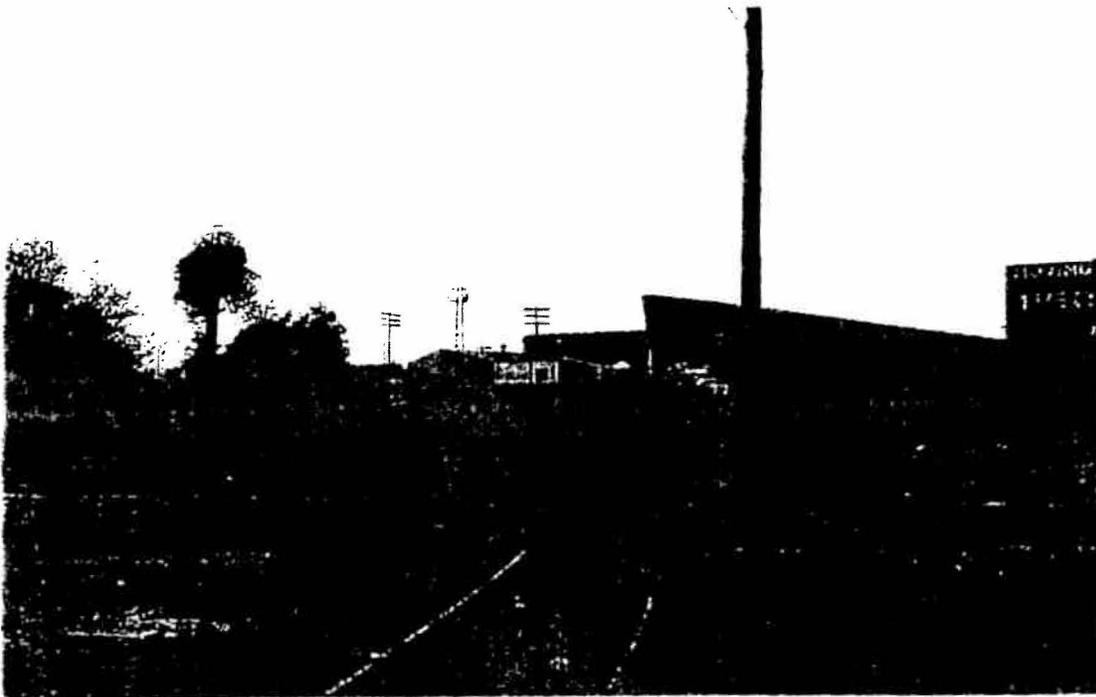
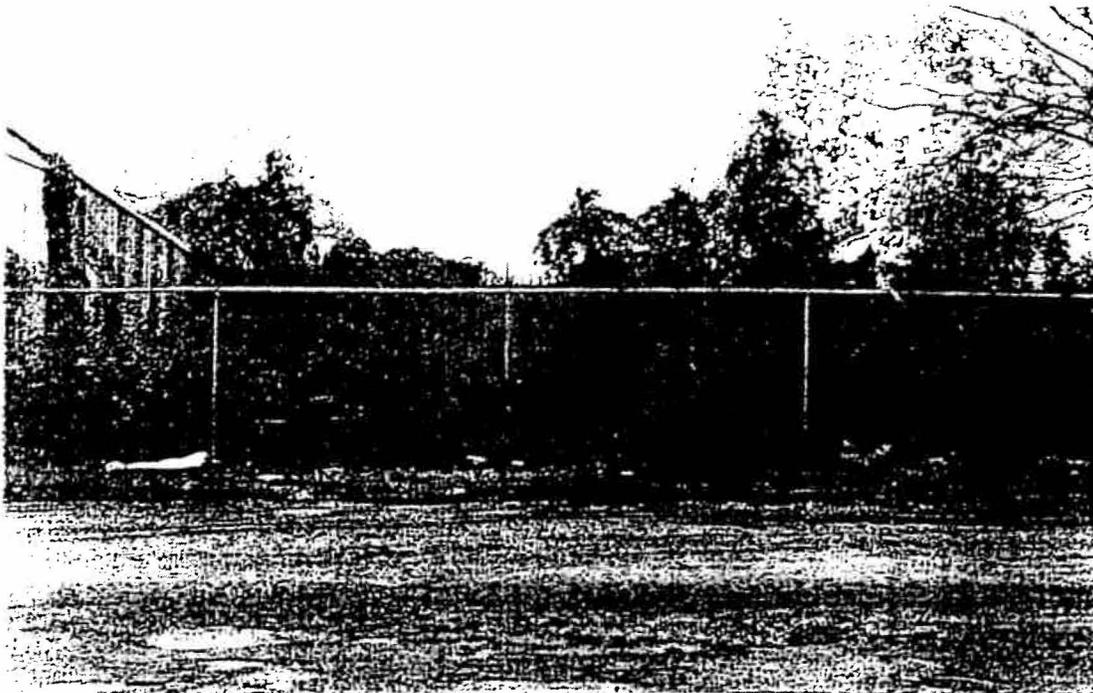


EXHIBIT D



EXHIBIT E

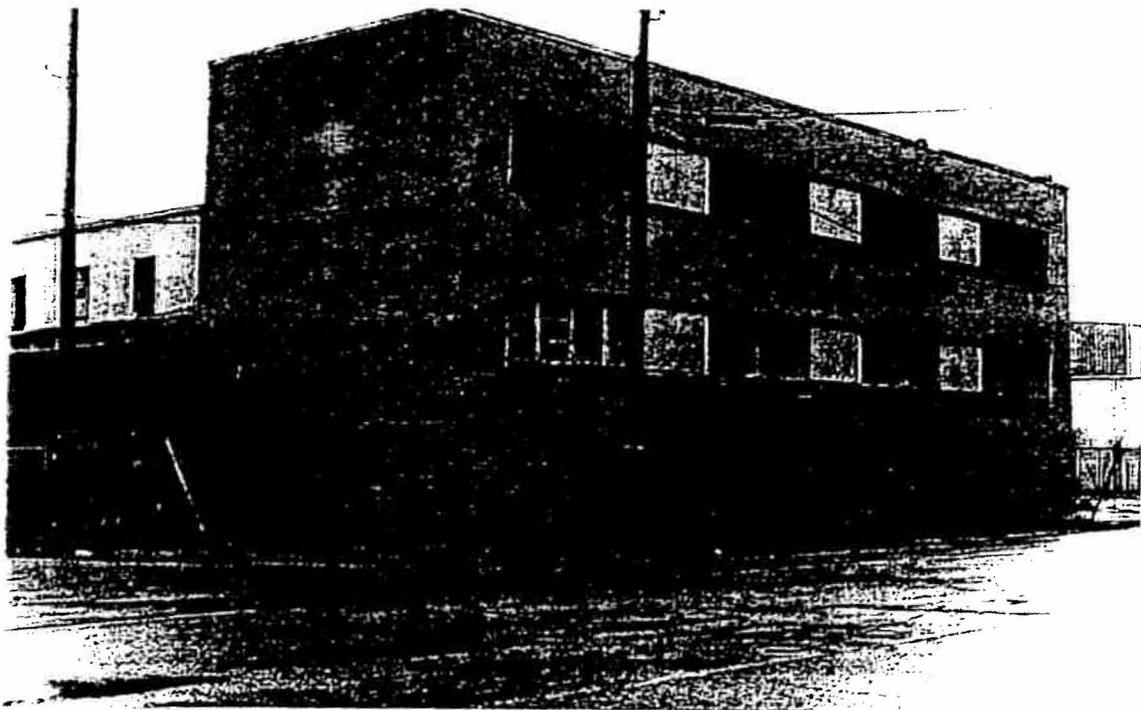
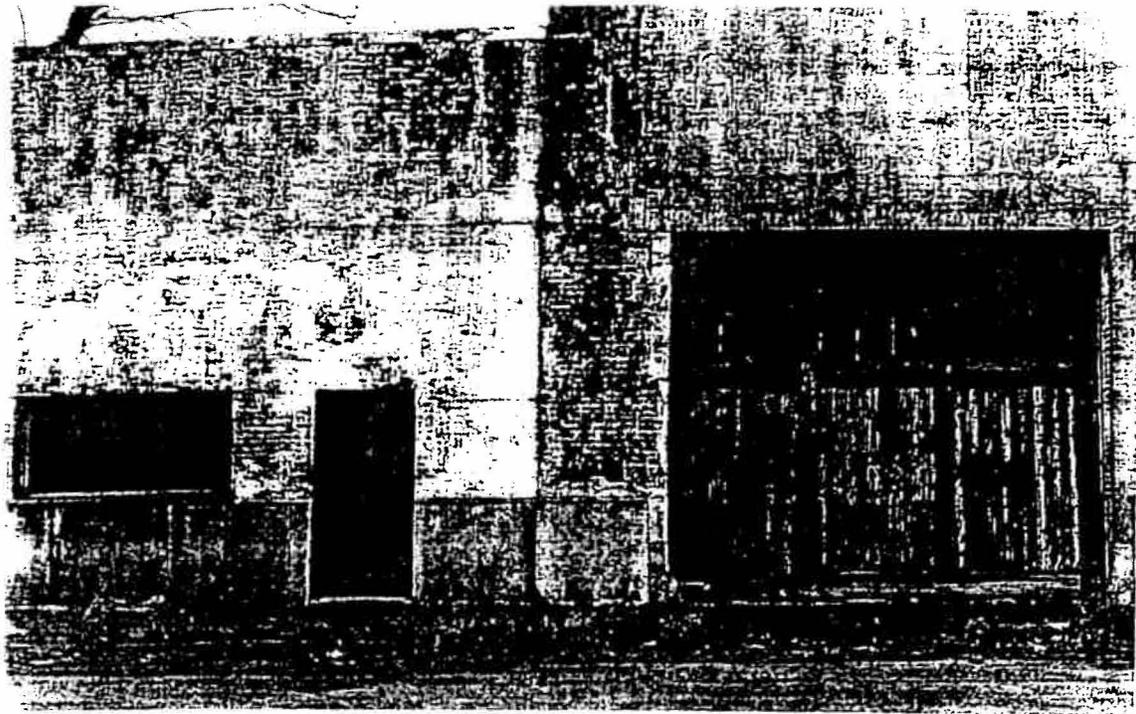


EXHIBIT F



EXHIBIT G

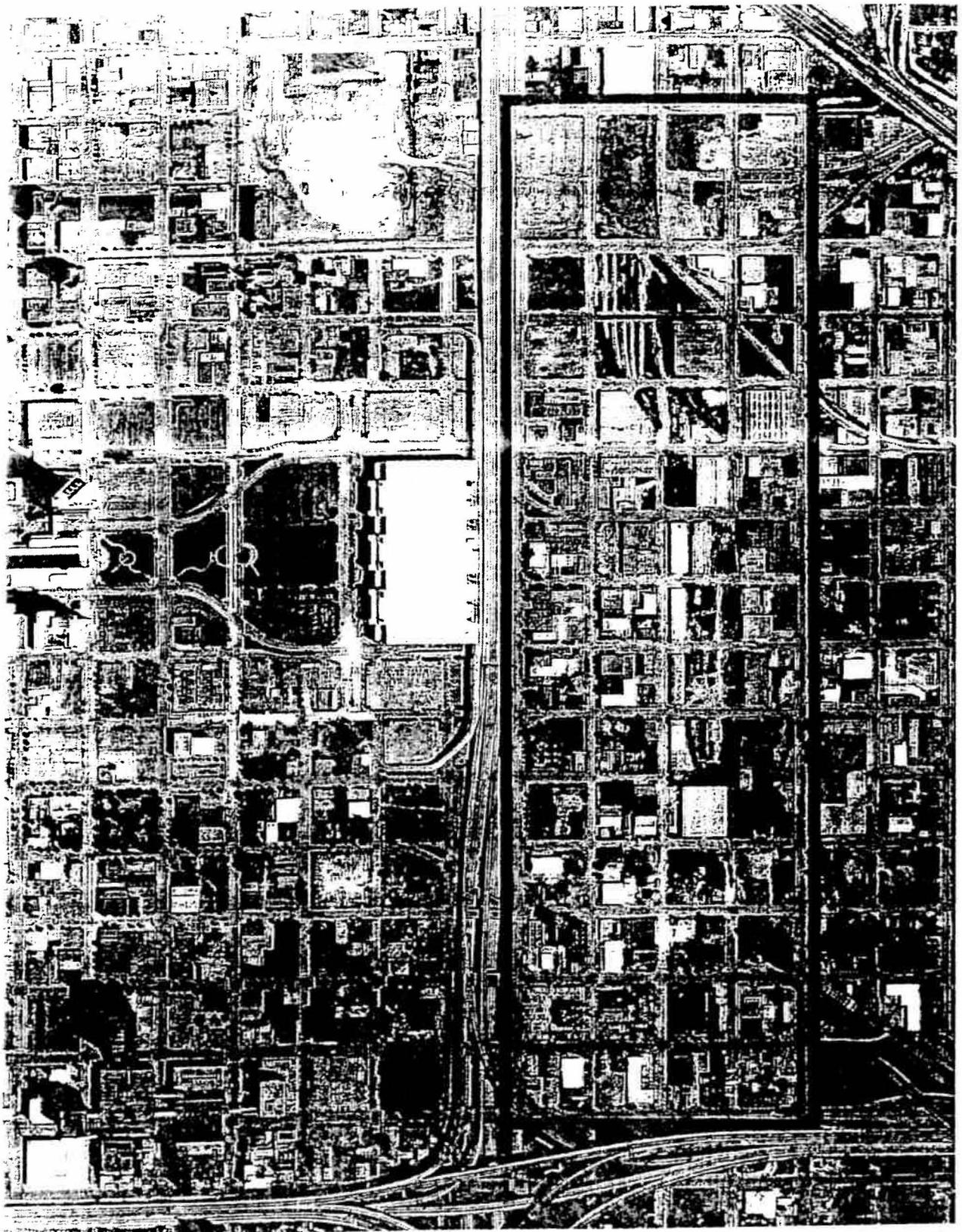
MAP 1

EAST DOWNTOWN TIRZ BOUNDARY MAP



HAWES HILL & PATTERSON CONSULTANTS, L.L.P.

MAP 2



R. G. Miller Engineers conducted a review and assessment of the public infrastructure within the boundaries of the Zone. The infrastructure assessment consisted of a review of the existing City of Houston construction plans and on-site inspection of the above ground facilities. A majority of the infrastructure within the Zone has been in service since the Civil War. The existing streets are marginal to very poor condition, and have out used their useful life. As evidenced by the Exhibits and Map 2, there are areas of the Zone where there is existing street right-of-way, but no paving or drainage system.

The existing storm sewer in the Zone does not provide adequate drainage. Many of the streets do not have storm sewers and those that do exist are undersized by present design standards. The existing water transmission system does not provide service to all areas of the Zone. The following Maps show the existing and proposed infrastructure improvements.

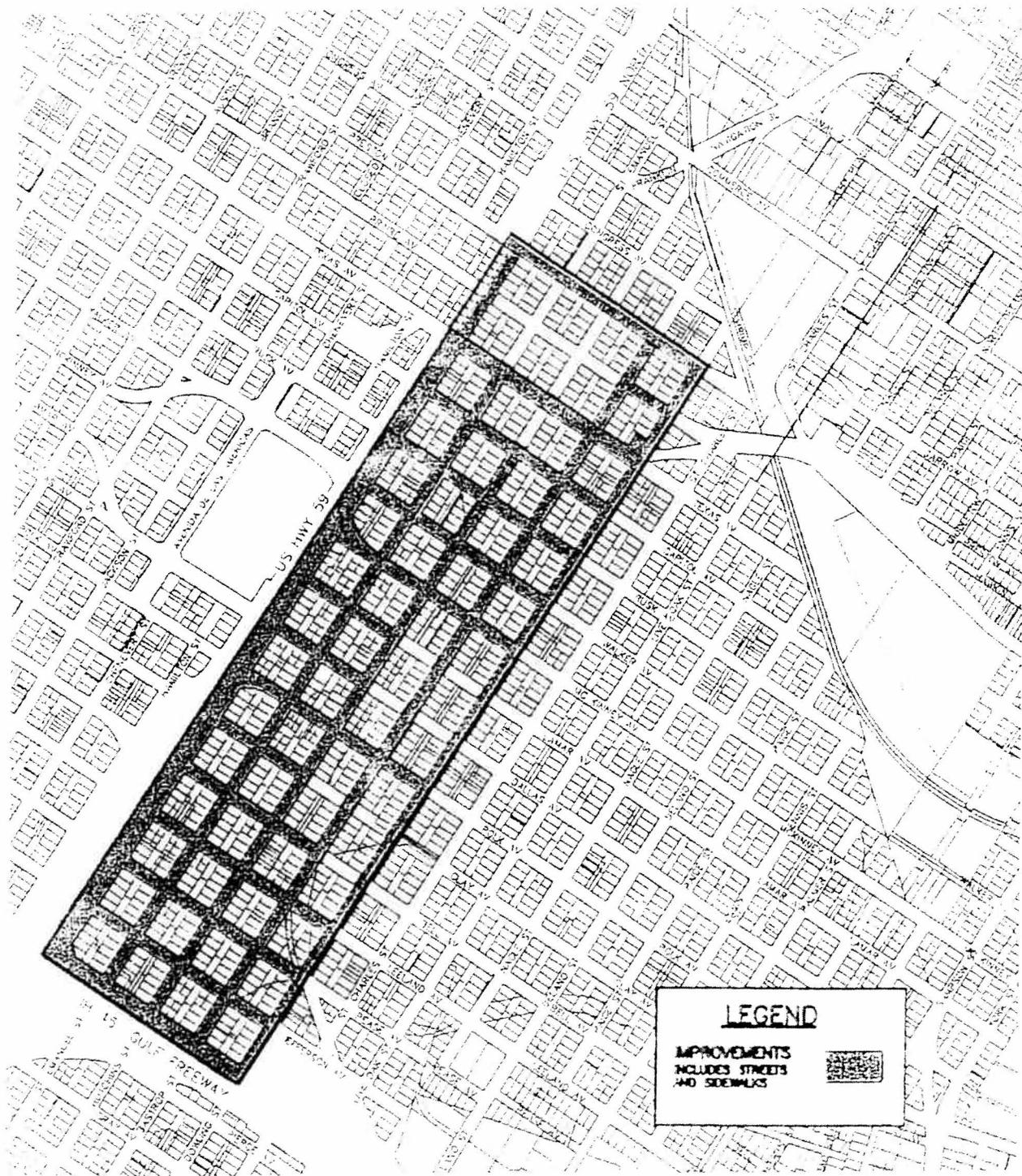
MAP 4 Location of Proposed Roadway and Sidewalk Improvements

MAP 5 Location of Existing and Proposed Water Lines

MAP 6 Location of Existing and Proposed Sanitary Sewer Lines

MAP 7 Location of Existing and Proposed Storm Sewer Lines

MAP 4
LOCATION OF PROPOSED ROADWAY AND SIDEWALK
IMPROVEMENTS





MAP 5 LOCATION OF EXISTING AND PROPOSED WATER LINES



MAP 6
LOCATION OF EXISTING AND PROPOSED SANITARY SEWER LINES



MAP 7 LOCATION OF EXISTING AND PROPOSED STORM SEWER LINES



II. PROPOSED CHANGES OF ZONING ORDINANCES, MASTER PLAN OF MUNICIPALITY, BUILDING CODES, AND OTHER MUNICIPAL ORDINANCES

All construction will be done in conformance with existing rules and regulations of the City of Houston. There are no proposed changes of any city ordinance, master plan, or building codes.

III. LIST OF ESTIMATED NON-PROJECT COST ITEMS

The list of estimated non-project cost items below reflects improvements that the East Downtown Management District and Enron will invest towards the total development plan. These community investment items will not be borne by the Zone. The improvement items listed below reflect the investment and commitment to be made by the property owners in the District over the thirty (30) year life of the Zone.

Security and Public Safety:

The District will be responsible for creating a safe environment within the community with specific law enforcement programs.

Planning and Urban Design:

The District will be responsible for utilizing and improving existing resources to create a well-planned community to effectively address current and future needs in the areas of transportation, infrastructure, beautification, open space, and land development.

Public Relations and Business Development:

The District will be responsible for the development, support and promotion of economic growth of the area using community events, marketing, and other methods.

Administration:

The District will be responsible for providing effective, efficient support services to District programs.

Parking Facilities:

Enron Corporation will construct a 5,000 space-parking garage. The garage will be located near Enron Field east of Highway 59 on land owned by the Harris County-Houston Sports Authority. The parking garage will serve Enron Field, the George R. Brown Convention Center and major retail uses within the downtown area. The private investment to be made by Enron in the construction of the 5,000 garage parking spaces is estimated at \$52 million.

VI. STATEMENT OF METHOD OF RELOCATING PERSONS TO BE DISPLACED AS A RESULT OF IMPLEMENTING THE PLAN

The projects include redevelopment of substantially vacant, sub-deteriorating property into commercial and residential uses. Therefore displacement of property owners or residents.

Proj. Costs

REINVESTMENT ZONE FINANCING PLAN

I. A DETAILED LIST DESCRIBING THE ESTIMATED PROJECT COSTS, INCLUDING ADMINISTRATIVE EXPENSES

Table A lists the estimated project costs for the Zone. It is anticipated that developers will advance funds for the improvements and will be reimbursed as provided in separate agreements and other documentation between the Developers, the City, the Redevelopment Authority and the Zone. Line item amounts may be adjusted with approval of the Zone Board of Directors, as long as total project costs do not exceed the Financing Plan Budget.

TABLE A
Estimated Zone Project Costs

Non-Education Projects	Estimated Costs
Design and Construction of Water Lines	\$ 1,230,500
Design and Construction of Storm Sewer	2,209,400
Design and Construction of Sanitary Sewer	1,113,950
Design and Construction of Street Paving	9,845,750
Design and Construction of Sidewalks	774,000
Parking Facilities to Support a Major Destination Retail Center	30,500,000
Environmental Clean-up	1,000,000
Project Financing Costs	23,822,727
Zone Creation	120,000
Zone Administration	720,000
Subtotal	\$71,336,327
Education Project Costs	
Design and Construction of Educational Facilities	\$13,201,622
Subtotal	\$13,201,622
TOTAL	\$84,537,949



II. A STATEMENT LISTING THE KIND, NUMBER, AND LOCATION OF ALL PROPOSED PUBLIC WORKS OR PUBLIC IMPROVEMENTS IN THE ZONE

Schedule A lists the kind, number and location of all proposed public works infrastructure. The location of the proposed 2,500 parking facility will be determined once the destination retail center is designed.

III. ECONOMIC FEASIBILITY STUDY

The Chinatown Community Development Corporation (CCDC), major property owners and developers believe that local market indicators demonstrate a strong demand for the planned commercial and residential development projects within the Zone. An economic feasibility study is in the Appendix.

IV. THE ESTIMATED AMOUNT OF BONDED INDEBTEDNESS TO BE INCURRED

The estimated amount of bonded indebtedness to be incurred by the Zone is \$85.0 million.

V. THE TIME WHEN RELATED COSTS OR MONETARY OBLIGATIONS ARE TO BE INCURRED

The time when related costs or monetary obligations are to be incurred is a function of the availability of Zone revenues. Schedule B shows the time when Zone funds are expected to be available to pay project costs.

VI. A DESCRIPTION OF THE METHODS OF FINANCING ALL ESTIMATED PROJECT COSTS AND THE EXPECTED SOURCES OF REVENUE TO FINANCE OR PAY PROJECT COSTS, INCLUDING THE PERCENTAGE OF TAX INCREMENT TO BE DERIVED FROM THE PROPERTY TAXES OF EACH TAXING UNIT THAT LEVIES TAXES ON REAL PROPERTY IN THE ZONE

Description of the Methods of Financing

In accordance with 311.015 of the Tax Increment Financing Act, the City may issue tax increment bonds or notes, the proceeds of which may be used to pay project costs on behalf of the Zone. Upon creation of a redevelopment authority for the Zone, the authority may be authorized to incur debt and issue debt or obligations to satisfy developer reimbursements for eligible project costs. If such bonds are issued, bond proceeds shall be used to provide for the project related costs outlined in this plan. When appropriate, Developers will advance project-related costs and be reimbursed through the issuance of tax increment bonds or from increment revenues of the zone.

Expected Sources of Revenue to Finance or Pay Project Costs

It is projected that development projects identified in this Plan will increase taxable property values in the Zone by approximately \$127.8 million. The purpose of the Zone is to facilitate the construction of water/sewer/storm sewer lines, streets, and sidewalks for new commercial and residential development within the boundary of the Zone.

As a result of the planned new infrastructure, new land development within the Zone is expected to occur, including a parking garage, major retail facility, conversion of warehouse facilities to residential lofts, and construction of an indoor, open-stall market. Also, the surrounding development of Enron Field, downtown convention hotel, and the expansion of the George R. Brown Convention Center are expected to positively impact the development potential of land within the Zone.

Table B
Percentage of Increment Dedicated to the Zone

TAXING UNIT	DEDICATED TAX RATE	% OF TOTAL PARTICIPATION
City of Houston	\$0.6650/\$100 valuation	33%
Harris County	\$0.4166/\$100 valuation	20%
Houston I.S.D.	\$0.9600/\$100 valuation	47%
TOTAL	\$2.0416/\$100 valuation	100%

VII. THE CURRENT TOTAL APPRAISED VALUE OF TAXABLE REAL PROPERTY IN THE ZONE

The current total appraised value of taxable real property in the Zone is \$31,053,710.

VIII. THE ESTIMATED CAPTURED APPRAISED VALUE OF THE ZONE DURING EACH YEAR OF ITS EXISTENCE

Schedule B shows the estimated annual captured appraised value of the Zone during each year of its existence.

IX. DURATION OF THE ZONE

The duration of the Zone is 30 years.

c:\hnp\projects\ccdc01\Plans\East Downtown Final Plan

Participations 7/99

ZONE SCHEDULES

Schedule A List of the kind, number and location of all proposed public works infrastructure

Schedule B Zone Revenue Schedule

SCHEDULE A

ESTIMATED STREET AND UTILITY COSTS

STREET NAME	FROM	TO	STREET LENGTH	COST OF PAVING	COST OF SIDEWALKS	COST OF STORM SEWER	COST OF SANITARY SEWER	COST OF WATER LINES	TOTAL STREET COST
EAST - WEST STREETS									
Calhoun	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$0.00	\$39,200.00	\$52,000.00	\$452,400.00
Jefferson	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$0.00	\$19,600.00	\$42,000.00	\$422,800.00
Pease	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$0.00	\$19,600.00	\$42,000.00	\$422,800.00
Leeland	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$0.00	\$19,600.00	\$42,000.00	\$422,800.00
Bell	Chartres	Bastrop	1,100	\$284,000.00	\$19,800.00	\$22,400.00	\$0.00	\$21,000.00	\$327,200.00
Clay	Chartres	Hutchins	800	\$192,000.00	\$14,400.00	\$0.00	\$11,200.00	\$42,000.00	\$259,600.00
Polk	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$0.00	\$19,600.00	\$12,000.00	\$392,800.00
Dallas	Chartres	Hutchins	800	\$192,000.00	\$14,400.00	\$0.00	\$11,200.00	\$12,000.00	\$229,600.00
Lamar	Chartres	Hutchins	800	\$192,000.00	\$14,400.00	\$112,000.00	\$11,200.00	\$12,000.00	\$341,600.00
McKinney	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$0.00	\$19,600.00	\$42,000.00	\$422,800.00
Walker	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$0.00	\$19,600.00	\$42,000.00	\$422,800.00
Rusk	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$401,000.00	\$19,600.00	\$42,000.00	\$823,800.00
Capitol	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$0.00	\$19,600.00	\$42,000.00	\$422,800.00
Texas	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$104,000.00	\$19,600.00	\$52,000.00	\$538,800.00
Prairie	Bastrop	Dowling	350	\$84,000.00	\$8,300.00	\$0.00	\$4,900.00	\$10,500.00	\$105,700.00
Preston	Chartres	Dowling	1,400	\$338,000.00	\$25,200.00	\$224,000.00	\$19,600.00	\$42,000.00	\$646,800.00
NORTH-SOUTH STREETS									
Chartres	Calhoun	Preston	5,100	\$1,224,000.00	\$91,800.00	\$177,500.00	\$94,000.00	\$153,000.00	\$1,740,300.00
St. Emanuel	Calhoun	Texas	4,400	\$902,000.00	\$79,200.00	\$222,750.00	\$179,000.00	\$121,500.00	\$1,504,450.00
Hutchins	Calhoun	Capitol	4,050	\$830,250.00	\$72,900.00	\$263,250.00	\$196,500.00	\$121,500.00	\$1,484,400.00
Bastrop	Calhoun	Preston	5,100	\$1,045,500.00	\$91,800.00	\$334,750.00	\$145,750.00	\$132,000.00	\$1,749,800.00
Dowling	Jefferson	Preston	5,100	\$1,224,000.00	\$91,800.00	\$347,750.00	\$225,000.00	\$153,000.00	\$2,041,550.00
TOTAL									173,600.00

SCHEDULE B

EAST DOWNTOWN REVENUE SCHEDULE

Tax Year	Projected Increased Taxable Valuation	City Tax Rate	County Tax Rate	HISD Tax Rate	City TIRZ Collections at 97%	County TIRZ Collections at 97%	ISD TIRZ Collections at 97%	Total Annual TIRZ Collections at 97%	Cumulative TIRZ Collections at 97%
1999									
2000									
2001									
2002									
2003	\$ 154,000,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 993,377	\$ 622,317	\$ 1,431,953	\$ 3,047,647	\$ 3,047,647
2004	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,476,650	\$ 3,142,704	\$ 6,190,351
2005	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,476,650	\$ 3,142,704	\$ 9,333,054
2006	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,476,650	\$ 3,142,704	\$ 12,475,758
2007	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,476,650	\$ 3,142,704	\$ 15,618,462
2008	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,476,650	\$ 3,142,704	\$ 18,761,166
2009	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 21,893,394
2010	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 25,025,621
2011	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 28,157,849
2012	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 31,290,077
2013	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 34,422,305
2014	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 37,554,532
2015	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 40,686,760
2016	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 43,818,988
2017	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 46,951,216
2018	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 50,083,444
2019	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 53,215,671
2020	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 56,347,899
2021	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 59,480,127
2022	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 62,612,355
2023	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 65,744,582
2024	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 68,876,810
2025	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 72,009,038
2026	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 75,141,266
2027	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 78,273,494
2028	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 81,405,721
2029	\$ 158,800,000	\$ 0.66500	\$ 0.41660	\$ 0.9600	\$ 1,024,339	\$ 641,714	\$ 1,466,174	\$ 3,132,228	\$ 84,537,949
					\$ 27,626,201	\$ 17,306,880	\$ 39,604,867	\$ 84,537,949	

APPENDIX

Zone Boundary Description

Market Analysis

ZONE BOUNDARY DESCRIPTION

BEGINNING AT A POINT, being the said intersection of the north right-of-way line of Preston Avenue and the east right-of-way line of Dowling Street;

THENCE, proceeding in a northwesterly direction along the north right-of-way line of Preston Avenue a distance of approximately 900 feet to a point at the east right-of-way line of U.S. Highway 59, also being the said intersection of the east right-of-way line of U.S. Highway 59 and the north right-of-way line of Preston Avenue;

THENCE, proceeding in a southwesterly direction along the east right-of-way line of U.S. Highway 59 a distance of approximately 3,200 feet to a point at the north right-of-way line of Interstate 45, also being the said intersection of the north right-of-way line of Interstate 45 and the east right-of-way line of U.S. Highway 59;

THENCE, proceeding in a southeasterly direction along the north right-of-way line of Interstate 45 a distance of approximately 900 feet to a point at the east right-of-way line of Dowling Street, also being the said intersection of the north right-of-way line of Interstate 45 and the east right-of-way line of Dowling street;

THENCE, proceeding in northeasterly direction along the east right-of-way line of Dowling Street a distance of approximately 3,200 feet to a point at the north right-of-way line of Preston Avenue, also being the said intersection of the north right-of-way line of Preston Avenue and the east right-of-way line of Dowling Street, **the POINT OF BEGINNING.**

THE ECONOMIC DEVELOPMENT POTENTIAL OF CHINATOWN

by

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December 2, 1994

EXECUTIVE SUMMARY

The report presents our analysis of the capacity for growth in Chinatown, an area of about 200 acres adjacent to downtown and the George R. Brown Convention Center. We find there is significant commercial activity in Chinatown as illustrated by:

- There are an estimated 1,529 employees.
- Wholesale trade accounts for almost one-half of total employment. The remaining share, however, is widely diversified, and includes significant shares in trucking and warehousing, business services, non-durable manufacturing, and retail trade.
- Employment in Chinatown generates up to \$260,000 per year in annual sales tax revenues to the city, and an equal amount annually to Metro.
- Property taxes on commercial property account for almost \$200,000 annually to the city government alone.

In Chinatown there is currently a very small population, and it is predominately black and has a relatively low income as shown by housing values:

- 83 of the 132 residents are Black, 25 are Hispanic, and only 7 are Asian as of the 1990 Census.
- Average rent in Chinatown is about \$185 per month.
- The average home value is \$67,500. There are only six owner occupied structures.

Significant capacity exists for growth, however, as shown by:

- Almost 23.8% of the land in Chinatown is vacant, which at current employment densities could support 80% more employees than current levels.
- Population density is only 8.91 people per residential acre. Most similar areas have densities four to five times as high.
- Wholesale and warehousing activity accounts for over 50% of total employment, even without significant public sector transportation investment.

In order to achieve growth several problems need to be overcome:

- Chinatown has never recovered from the downturn in 1984. Sales have not grown since 1986 even before accounting for inflation, despite the 25% drop from 1984-86.
- Employment in Houston is tending to decentralize, so that most new employment is occurring in outlying areas.
- The George R. Brown Convention Center has had no discernible impact on retail sales in Chinatown.

Despite these potential limitations to development, there are several factors that point to the potential demand to utilize the capacity documented in this report:

- Employment of over 127,000 in the adjacent downtown, plus an additional 50,000 in the nearby Medical Center points to a significant potential market.
- A recent study by CDS Research shows potential residential demand for 98,400 units in the Downtown and Midtown areas.
- Development would be complementary to the proposed redevelopment of the adjacent Midtown area.
- The proposed construction of a convention/destination hotel near the George R. Brown Convention Center may facilitate the positive impact of Convention Center complex on Chinatown.

I. Introduction

This report attempts to analyze the economic potential of Chinatown, an area of about 200 acres adjacent to downtown and the George R. Brown Convention Center. Our analysis consists of an examination of the current economic environment in Chinatown, and an assessment of whether the land is being fully utilized. We thus analyze the potential capacity for development in Chinatown. A projection of the economic development that will actually occur in Chinatown is beyond the scope of the current study as future development will depend upon, among other things, both public and private sector initiatives that may occur.

Currently, Chinatown is essentially a commercial area, with employment concentrations in wholesale and retail trade. There is very little residential population. We find, however, there is significant possibility for growth, in that there is a significant unused capacity in the area.

We examine the economic development potential of Chinatown through three processes. First, we describe the current economic status of the area. Second, we document the raw potential of the area in terms of vacant and underutilized land. Finally, we attempt to ascertain what the future holds for Chinatown if the current trends continue.

II. Current Economic Description of Chinatown

As of the 1990 Census, Chinatown contained only 132 people in 63 households.¹ This population consists of 23 Anglos, 83 Blacks, 25 Hispanics of all races, and 7 Asians.

¹ Electrical connection data from Houston Lighting & Power indicate there has been little growth since the Census in 1990. Residential electrical connections have grown only 3.67% since 1990 in the two Census tracts containing Chinatown.

The age distribution of this population is rather diverse, as there are 29 children under 18 years old, and 17 people over the age of 65. Incomes in the area do not appear particularly high as indicated by the housing stock. There are only 6 owner occupied residential structures, with an average value of about \$67,500. The average rent is only about \$185 per month despite a location directly adjacent to downtown.

Despite the lack of residential use, commercial utilization of Chinatown is economically important to the city. The sales tax base in Chinatown is between \$14.64 million and \$26.97 million. The lower figure is based on the share of wholesale and retail trade employees from zip code 77003 that work in Chinatown, while the larger figure is based upon the share of commercial land.² Thus this area provides between about \$150,000 and \$270,000 in sales tax revenue directly to the City of Houston each year, and provides a similar amount in annual revenue to Metro. In addition, we estimate that Chinatown generates almost \$200,000 per year in property tax revenue to the City alone.³ Over 89% of these funds are generated by non-residential property (commercial, industrial, and vacant land).

Even more striking than the substantial tax base created by commercial activity in Chinatown is the level of employment. According to the 1990 Journey to Work survey of the U.S. Census, about 1,529 people worked in Chinatown in a wide variety of industries.⁴ As an alternative, we derive the total number of employees by examining the individual Dun

² Of the 3,008 wholesale/retail trade workers in 77003 according to Dun and Bradstreet, 15.39% are in Chinatown. Of the total commercial land in the zip code, about 28.35% of it is in Chinatown. The total sales tax base in 77003 is about \$95.14 million according to the Texas Comptroller's office. Thus 15.39% of \$95.14 million is \$14.64 million, while 28.35% amounts to \$26.97 million.

³ This is based on property values per square foot (as reported by the Appraisal District) by Keymap letter for the areas including Chinatown, but excluding downtown.

⁴ This figure is derived from Traffic Analysis Zones (TAZs). These areas are generally smaller than Census tracts, and are much smaller than zip codes. There are five TAZs that intersect to some degree with Chinatown, although two are primarily contained within Chinatown. We allocated employment to Chinatown by land use categories.

and Bradstreet (D&B) employment records. This second estimation technique yields a number of 970 employees. We believe this is a lower bound estimate, as potential location problems associated with collecting data by establishment appear more likely in Chinatown than elsewhere. Despite this possibility, the divergence in the two estimates illustrates the difficulty in ascertaining an accurate employee count.⁵

One of the advantages of the Dun and Bradstreet employment estimate is that we can look at the sector breakdown in employment, while the sectors reported with the Census data must assume that neighboring areas mirror the economic diversity of Chinatown. Table 1 shows the number of employees by sector, using the U.S. Census data as well as the D&B data. The D&B data show the predominant industry in Chinatown is wholesale trade, which accounts for 46.4% of all employment. Transportation, which includes trucking and warehousing, contains the second largest share of employment, 13.0%. The remaining employment is primarily concentrated in business services, non-durable manufacturing, and retail trade.

Irrespective of the data source, employment in Chinatown is clearly significant, and in a wide variety of industries. We have not corrected the Dun and Bradstreet information for potential address miscodings, and other errors may be in the Census data. We present both sets of information because the combination presents a relatively consistent picture of Chinatown as a whole. Wholesale trade accounts for about one-half of total employment in Chinatown. The remaining employment is relatively diverse for a geographic area of only 0.31 square miles. Perhaps what is surprising about this information is that wholesale trade, including warehousing, is so important despite a lack of publicly supported infrastructure in the area such as street improvements and access to the freeways.

⁵ Another alternative is to allocate D&B employees by land use (as with Census data), although we are required to use the two Census tracts containing Chinatown (an area much larger than TAZs (see note 4). This allocation indicates that 1,637 workers are in Chinatown in 1990

III. The Raw Development Potential

There are two factors that might alter the current face of Chinatown. First is the availability of significant vacant land. Second is that the current land intensity for developed land could be increased while still being consistent with neighboring areas.

Currently vacant land in Chinatown accounts for about 24.8% of the total acreage. At current land use densities of about 25.8 employees per acre, the vacant land could support 1,219 new jobs in the area, an almost 80% increase over current employment levels. Alternatively, the vacant land could house 421 people if developed at current population density of 8.91 people per acre. As discussed below, development based on 8.91 people per acre clearly is a very conservative method for determining the potential number of new residents that could be housed on vacant land in Chinatown.

A second method for examining the potential of Chinatown is to examine current land use. Commercial and industrial land is being utilized in a manner roughly consistent with nearby areas, although there is nonetheless considerable room for more intensive utilization. For example, Chinatown is contained within two Census tracts in roughly equal proportions. One of these Census tracts (303.00) has land use of 24.6 employees per acre, about equal in intensity as Chinatown's 25.8 employees per acre for its commercial and industrial land. The other Census tract (300.23), however, has 36% more employees per acre, at 35.08. While greater intensity is well within the realm of possibility, employment growth is more likely because of greater land utilization (a reduction in vacant land) than in greater employment concentrations.

For population, however, the story is completely different: 8.91 residents per residential acre is very low relative to the neighboring areas. For example, the two Census tracts containing Chinatown contain 28.93 (for 303.00) and 40.62 (for 300.23) people per

residential acre. These figures are also typical for other Census tracts near Downtown. The five Census tracts excluding Downtown contiguous to the two tracts containing Chinatown have population densities of about 40 people per acre. These population densities are achieved despite employment densities that are about equal to Chinatown's. One reason for the low population density in Chinatown is the high vacancy rate at the time of the Census survey in April 1990. Of the 87 residential structures, 24, or 27.6%, were vacant. Irrespective of the vacancy rate, however, residential land in Chinatown is significantly underutilized. The population could increase by four to five times in currently utilized vacant land without Chinatown becoming more dense than surrounding areas.

IV. Future Trends

This section seeks to describe the current tendencies that are affecting the shape of Chinatown if there is no outside intervention. Two methodologies are employed. First, we examine the time trend of retail and other sales activity in Chinatown, and compare it to the City of Houston as a whole. Second, we discuss the population and employment forecasts from the Center for Public Policy's Small Area Model (SAM-Houston). These forecasts, however, are only preliminary and are likely to be significantly revised.

Table 2 presents the retail sales tax base for Chinatown for the years 1984-93, as well as the retail sales tax base for the entire City of Houston.⁶ The Chinatown figures are reported by zip code, and have been calculated based on 1990 land use for all years of the data. Nonetheless, there are two striking aspects of the ten year trend apparent in this data.

⁶

Note that 1993 figures are preliminary, although they are not expected to change significantly. Also note that the Chinatown estimates are based on land use extrapolations. The extrapolation method is relatively unimportant for this use, however, as the basic time trend comes from the zip code data.

First, Chinatown, like much of Houston, experienced a significant decline in sales from the peak of 1984. In the two years from 1984 to 1986, sales fell by 23.7%, from \$38.43 million to \$29.34 million. Second, unlike the rest of Houston, however, the area has not really recovered. The 1993 sales tax base is only slightly above the depressed 1986 value, even without adjusting for inflation. The city as a whole, however, has experienced about a 5.5% growth rate per year since 1987, so that the 1993 sales tax base is 37.6% higher than the 1987 nadir.

The second striking aspect of the figures in Table 2 is the absence of any discernable effect from the construction of the George R. Brown Convention Center. Completed in 1988, the Convention Center was widely expected to provide stimulus to the Chinatown area. It is possible that some stimulus is concealed in the data, as restaurants and other retail trade may have relocated to be near the Convention Center. Further, because the basic figures are recorded by zip code, movements within the zip code area may be concealed. Nonetheless, there is no reason to suspect that other areas within the zip code would decline because of the Convention Center. Thus it is still surprising that no effect from the Convention Center is apparent in this data.

The data for all industries combined, shown in Table 3, tells a similar story. Sales in Chinatown plunged by 28.5% from \$94.119 million in 1984 to \$67.279 by 1986. 1993 sales of \$69.562 are virtually equal to those in 1986, while sales for the City of Houston have grown by 7.1% on average each year since 1987. Business in Chinatown has not recovered from the pre-bust peak of the early 1980s.

The second component of our analysis of future trends in Chinatown consists of population and employment projections from the Center for Public Policy's Small Area Model (SAM-Houston). The SAM-Houston model forecasts population and employment

by Census tract for the years 1993 through 2020.⁷ It must be noted that these projections are preliminary, the final model will not be completed until the end of the year. We have not attempted to disaggregate the forecasts to Chinatown in particular, but instead discuss projections for the two Census tracts that contain Chinatown. The model shows that population is expected to remain virtually stable. Even by the year 2020, population is expected to be 3.8% below the current population for tract 300.23, and 5.27% lower for tract 303.00. The reason is that new population growth is expected to occur in the suburban areas of Houston, and areas inside Loop 610 in particular are considered mature areas. Clearly, however, the model does not speak to areas like Chinatown, which we have demonstrated to be heavily underutilized. Nonetheless, new population growth for close-in areas will have to compete with suburban areas to be successful.

Maintaining the level of employment over time, however, is likely to be more difficult according to the SAM-Houston model. The forecasting model demonstrates that employment tends to be more centralized than population, and tends to move to outlying areas later than does population. Houston has decentralized very rapidly during the 1980s, however, and employment has not yet fully responded. Thus the model projects that employment in Chinatown (and in other close-in areas) will erode continually. Thus by the year 2020 the model is projecting employment to be fully 24.03% (303.00) and 25.42% (300.23) lower than current levels for Chinatown. Essentially, the model is forecasting that it will be difficult to maintain current employment levels without a population base in the area.

7

The only actual population and employment figures are from the Census in 1990. Thus 1993 must still be estimated based on available data.

V. Summary and Conclusion

This report shows that Chinatown has considerable unused capacity, so that it can support significant new growth in both population and employment. There is a relatively large supply of vacant land that can support an expansion in employment. The existing employment base is centered on wholesale trade and warehousing. This activity represents an important agglomeration, and appears to be sufficient to support a diverse spectrum of other firms. Thus there is a significant foundation from which employment growth can occur. This is especially likely since it does not appear the public sector has participated in a significant way in the stimulus of the wholesale employment center.

But additional employment growth is unlikely without either significant public or private sector initiatives, as employment in Houston is beginning to follow the population to the outlying areas. Further, the data do not indicate that retail trade is necessarily the sector to lead to future growth, as we have not found any discernable impact of the Convention Center on retail sales.

As opposed to employment, there is currently very little population in Chinatown. Further, the residential land in Chinatown is being used very lightly. Similar nearby areas have population per acre four to five times the levels found in Chinatown. Thus the capacity exists for significant expansion of population even if employment growth uses the existing vacant land.

Having shown the capacity for growth exists, the question is whether the conditions can be created to foster growth in both population and employment. We believe there are several assets to the Chinatown area that lead to a positive answer. The two primary assets are that Chinatown is centrally located between two of the largest three employment centers in the city, and that Chinatown may benefit from publicly sponsored development projects.

Over 127,000 people work Downtown. Many of these people use Metro shuttle busses to come to Chinatown for noontime meals. The presence of this large market opens many possibilities, including not only a greater spectrum of retail services but for residential housing as well. A study by CDS Research, Inc, for example, shows potential demand for 98,400 residential units in the Midtown and Downtown areas.⁸ The fate of Chinatown in part depends upon the redevelopment of other close-in areas. For example, the proposed Midtown project is quite likely to stimulate the redevelopment in Chinatown (and vice-versa).⁹

A second important factor that could assist Chinatown in utilizing its development capacity is publicly stimulated development in the Downtown area. One possibility is that infrastructure can be developed to expand the core wholesaling and warehousing activity. A second and potentially more far reaching change is the proposed convention/destination hotel to accommodate the George R. Brown Convention Center. One of the findings here is that construction of the convention center appears to have had little impact on Chinatown. One possible reason for a lack of stimulus is the nature of business currently attracted by the convention center. If the proposed hotel is successful, including stimulation of more out-of-town utilization of the Convention Center, then Chinatown might be expected to be a major beneficiary.

8 Market Analysis of Housing Potential in Downtown Houston, CDS Research, Inc, Dec 31, 1993.
Demand for 30,400 units is accounted for by Downtown employees.

9 See Midtown Houston by the Midtown Redevelopment Association, August 29, 1994, for detail on
Midtown redevelopment plans and prospects.

TABLE 1. EMPLOYMENT BY SECTOR IN CHINATOWN

Sector	Journey to Work Employees ¹		Dun and Bradstreet Employees ²	
	Number of Employees	Percent	Number of Employees	Percent
Agriculture	20	1.3%	25	2.6%
Construction ³	109	7.1%	62	6.4%
Manufacturing	202	13.2%	96	9.9%
Transportation & Communication	131	8.6%	126	13.0%
Wholesale ⁴	606	39.6%	450	46.4%
Retail Trade			74	7.6%
Finance, Insurance & Real Estate	44	2.9%	29	3.0%
Services ⁵	417	27.3%	108	11.1%
TOTAL	1,529		970	

¹ The source is the 1990 U.S. Census Journey to Work survey, based upon the employment location as reported by individual workers. The data has been extrapolated to Chinatown from Traffic Analysis Zones. Sector totals may not add to the total number of employees due to rounding.

² The source is the 1990 Dun and Bradstreet data, based upon the location of employees as reported by establishments. The data has been extrapolated to Chinatown from Census tracts based upon land use. Sector totals may not add to the total number of employees due to rounding.

³ Construction includes some mining in the Census data.

⁴ Wholesale and Retail trade are combined in the Census data. Separation of the two is possible with the Dun and Bradstreet data.

⁵ Services also include a small amount of Public Administration in the Census data.

TABLE 2: RETAIL SALES FROM 1984-1993

Year	Amount Subject to Tax (S000's)		Gross Sales ¹ (S000's)	
	Chinatown ²	Houston	Chinatown	Houston
1984	38,431	8,206,774	89,624	17,714,307
1985	37,952	8,396,364	79,789	17,002,507
1986	29,340	7,889,519	67,491	15,322,080
1987	27,831	7,739,492	62,312	15,375,404
1988	26,660	8,154,618	50,509	16,241,271
1989	27,989	8,744,757	47,009	17,094,960
1990	30,593	9,339,497	45,219	18,479,949
1991	28,788	9,507,536	43,412	18,559,738
1992	26,754	10,103,336	40,701	19,999,576
1993	26,971	10,103,336	41,988	21,190,517
Percentage Change				
1984-86	-23.66%	-3.87%	-24.70%	-13.50%
1987-93	-3.09%	+30.54%	-32.62%	+37.82%

¹ Gross sales is a voluntarily reported number. The Amount Subject to Tax is the actual sales tax base. The source of the data is the Texas Comptroller's Office.

² The Chinatown figures have been extrapolated from zip code data using land use data. Gross sales and the amount subject to tax would be only 54.3 % as large if extrapolated from wholesale and retail employment.

TABLE 3: TOTAL INDUSTRY SALES FROM 1984-1993

Year	Amount Subject to Tax (S000's)		Gross Sales ¹ (S000's)	
	Chinatown ²	Houston	Chinatown	Houston
1984	94,119	16,418,067	345,271	70,120,155
1985	85,432	17,013,333	308,690	70,343,575
1986	67,279	14,973,029	274,513	58,063,053
1987	66,212	14,498,260	249,292	59,880,128
1988	66,863	16,383,910	253,014	64,998,459
1989	68,825	18,383,910	246,610	73,363,249
1990	72,765	19,846,705	274,627	77,978,272
1991	72,005	20,259,448	267,104	77,628,812
1992	66,717	20,937,023	242,373	82,813,205
1993	69,562	21,867,711	237,492	81,206,517
Percentage Change				
1984-86	-28.52%	-8.80%	-20.49%	-17.19%
1987-93	+5.06%	+50.83%	-4.73%	+35.62%

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-Employment is widely diversified. Wholesale and retail trade is the largest sector, but both manufacturing and service industries contain a large share of total employment.

-Employment in Chinatown generates over \$260,000 per year in annual sales tax revenues to the city, and an equal amount annually to Metro.

There is currently very little population in Chinatown, which is predominately black and of relatively low incomes as shown by housing values:

-83 of the 132 residents are Black, 25 are Hispanic, and only 7 are Asian as of the 1990 Census.

-Average rent in Chinatown is about \$185 per month.

-The average home value is \$67,500. And there are only six owner occupied structures.

Significant capacity exists for growth, however, as shown by:

-Almost 23.8% of the land in Chinatown is vacant, which at current employment densities could support 80% more employees than currently.

-Population density is only 8.91 people per residential acre. Most similar areas have densities four to five times as high.

In order to achieve growth several problems need to be overcome:

-Chinatown has never recovered from the downturn in 1984. Sales have not grown since 1986 even before accounting for inflation, despite the fact they fell by over 25%.

-Employment in Houston is tending to decentralize, so that most new employment is occurring in outlying areas.

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63 households.¹ This population consists of 23 Anglos, 83 Blacks, 25 Hispanics of all races, and 7 Asians. The age distribution of this population is rather diverse, as there are 29 children under 18 years old, and 17 people over the age of 65. Incomes in the area do not appear particularly high as indicated by the housing stock. There are only 6 owner occupied residential structures, with an average value of about \$67,500. The average rent is only about \$185 per month despite a location directly adjacent to downtown.

Despite the lack of residential use, commercial utilization of Chinatown is economically important to the city. The sales tax base in Chinatown is about \$26.97 million.² Thus this area provides almost \$270,000 in sales tax revenue directly to the City of Houston each year, and provides a similar amount in annual revenue to Metro.

Even more striking than the sales tax base created by

¹ Electrical connection data from Houston Lighting & Power indicate there has been little growth since the Census in 1990. Residential electrical connections have grown only 3.67% since 1990 in the two Census tracts containing Chinatown.

² This figure is determined by a share of commercial land use in zip code 77003. Of the total commercial land in the zip code, about 28.35% of it is in Chinatown. The total sales tax base in 77003 is about \$95.14 million. Thus 28.35% of 95.14 million is \$26.97 million. In addition, gross sales (including non-taxable items) according to the Texas Comptroller's office is \$148 million annually in zip code 77003, corresponding to about \$41.99 million in Chinatown. It is not clear, however, how much of total commercial activity is represented by this figure because it is voluntarily reported.

commercial activity in Chinatown is the level of employment. According to the 1990 Journey to Work survey of the U.S. Census, about 1,529 people worked in Chinatown in a wide variety of industries.³ Table 1 shows the number of employees by sector. Consistent with the large sales tax base, wholesale and retail trade employs about 606 people, or 39.6% of the total. Other sectors, however, are also important. 23.4% of the workforce, or 358 people, are employed in various service industries, and 202 people (13.2%) are employed in manufacturing industries.⁴

The Dun and Bradstreet worker establishment data provides a very similar story. We believe this data set is not as reliable as the Census Journey to Work information for small areas because of potential location problems associated with collecting data by establishment. Nonetheless, an allocation of workers by employment densities indicates that 1,637 workers were located in Chinatown in 1990.⁵ The industrial sector information differs slightly from the Census data, in that services apparently constitute the largest

³ This figure is derived from Traffic Analysis Zones (TAZs). These areas are generally smaller than Census tracts, and are much smaller than zip codes. There are five TAZs that intersect to some degree with Chinatown, although two are primarily contained within Chinatown. We allocated employment to Chinatown by land use categories.

⁴ The service industry number in Table 1 includes 55 people in public administration.

⁵ We averaged employment densities of the two Census tracts which contain Chinatown to arrive at this number. Given the potential errors in the estimation process, the 1,529 employees recorded by the Journey to Work data is well within the confidence interval.

sector, at 45.6% of the workforce, while wholesale and retail trade is only 25.7%. This discrepancy appears in large part due to a single observation, however, that is not located in Chinatown.⁶ Absent this unlikely data point, wholesale and retail trade would constitute 39.3% of employment, virtually identical to the Census information. The major difference between the Dun and Bradstreet information and the Census is in manufacturing and services. Utilizing the same correction indicates that 26.8% of Chinatown's employment would be in the manufacturing sector compared to the Census designation of 13.2%. Similarly, services constitute only 16.8% of the adjusted Dun and Bradstreet employment data, while the Census allocates 23.4% to this sector.

Irrespective of the data source, however, employment in Chinatown is clearly significant, and in a wide variety of industries. We have not corrected the Dun and Bradstreet information, and other errors may be in the Census data. We present both sets of information because the combination presents a relatively consistent picture of Chinatown as a whole. Wholesale and retail trade are important for Chinatown, but not exclusively. A variety of business services, as well as considerable manufacturing employment is ongoing in Chinatown. And the size of this activity is relatively diverse for a geographic area of only .31 square miles.

⁶ In particular, a service firm with contracts throughout the city has all of its employees denoted as being located at its headquarters.

III. The Raw Development Potential

There are two factors that might alter the current face of Chinatown. First is the availability of significant vacant land. Second is the intensity with which developed land is being utilized.

Currently land vacant in Chinatown is about 24.8% of the total acreage. At current land use densities of about 25.8 employees per acre the vacant land could support 1,219 new jobs in the area, an almost 80% increase over current employment levels. Alternatively, the vacant land could house 421 people if developed at current population density of 8.91 people per acre. As discussed below, this clearly is a very conservative method for determining the potential number of residents that could be housed on vacant land in Chinatown.

A second method to examine the potential of Chinatown is to examine current land use. Commercial and industrial land is being utilized in a manner roughly consistent with nearby areas, although there is nonetheless considerable room for more intensive utilization of the land. For example, Chinatown is contained within two Census tracts in roughly equal proportions. One of these Census tracts (303.00) has land use of 24.6 employees per acre, about an equal intensity as Chinatown's 25.8 employees per acre for its commercial and industrial land. The other Census tract (300.23), however, has 36% more employees per acre at 35.08. While greater intensity is well within the realm of possibility, employment growth is more likely to come because of greater land

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utilization (a reduction in vacant land) than in greater employment concentrations.

For population, however, the story is completely different. 8.91 residents per residential acre is very low. For example, the two Census tracts containing Chinatown contain 28.93 (for 303.00) and 40.62 (for 300.23) people per residential acre. These figures are also typical for other Census tracts near Downtown. The five Census tracts excluding Downtown contiguous to the two tracts containing Chinatown have population densities of about 40 people per acre. These population densities are achieved despite employment densities that are about equal to Chinatown's. One reason for the low population density in Chinatown is the high vacancy rate at the time of the Census survey in April, 1990. Of the 87 residential structures, 24, or 27.6%, were vacant. Irrespective of the vacancy rate, however, residential land in Chinatown is underutilized significantly. The population could increase by four to five times without using any of the currently vacant land without Chinatown becoming more dense than surrounding areas.

IV. Future Trends

This section seeks to describe the current tendencies that are affecting the shape of Chinatown if there is no outside intervention. Two methodologies are employed. First, we examine the time trend of retail and other sales activity in Chinatown, and compare it to the City of Houston as a whole. Second, we discuss

the population and employment forecasts from the Center for Public Policy's Small Area Model (SAM-Houston). These forecasts, however, are only preliminary and are likely to be significantly revised.

Table 2 presents the retail sales tax base for Chinatown for the years 1984-93, as well as the retail sales tax base for the entire City of Houston.⁷ The Chinatown figures are reported by zip code, and have been calculated based on 1990 land use for all years of the data. Nonetheless, there are two striking aspects of the ten year trend apparent in this data. First, Chinatown, like much of Houston, experienced a significant decline from the oil boom peak of 1984. In the two years from 1984 to 1986, sales fell by 23.7%, from \$38.431 million to \$29.34 million. Second, unlike the rest of Houston, however, the area has not really recovered. The 1993 sales tax base is only slightly above the depressed 1986 value, even without adjusting for inflation. The City as a whole, however, has experienced about a 5.5% growth rate per year since 1987, so that the 1993 sales tax base is 37.6% higher than the 1987 nadir.

The second striking aspect of the figures in Table 2 is the absence of any discernable effect from the construction of the George R. Brown Convention Center. Completed in 1988, the Convention Center was widely expected to provide stimulus to the Chinatown area. It is possible that some stimulus is concealed in the data, as restaurants may have relocated to be near the

⁷ Note that 1993 figures are preliminary, although they are not expected to change significantly.

Convention Center. Further, because the basic figures are recorded by zip code, movements within the zip code area may be concealed. Nonetheless, there is no reason to suspect that other areas within the zip code would decline because of the Convention Center. Thus it is still surprising that no effect from the Convention Center is apparent in this data.

The data for all industries combined, shown in Table 3, tells a similar story. Sales in Chinatown plunged by 28.5% from \$94.119 million in 1984 to \$67.279 by 1986. 1993 sales of \$69.562 are virtually equal to those in 1986, while sales for the City of Houston have grown by 7.1% on average each year since 1987. Business in Chinatown has not recovered from the pre-bust peak of the early 1980s.

The second component of our analysis of future trends in Chinatown consists of population and employment projections from the Center for Public Policy's Small Area Model (SAM-Houston). The SAM-Houston model forecasts population and employment by Census tract for the years 1993 through 2020.⁸ It must be noted that these projections are preliminary, the final model will not be completed until the end of the year. We have not attempted to disaggregate the forecasts to Chinatown in particular, but instead discuss projections for the two Census tracts that contain Chinatown. The model shows that population is expected to remain virtually stable. Even by the year 2020, population is expected to

⁸ The only actual population and employment figures are from the Census in 1990. Thus 1993 must still be estimated based on available data.

be 3.8% below the current population for tract 300.23, and 5.27% lower for tract 303.00. The reason is that new population growth is expected to occur in the suburban areas of Houston, and areas inside Loop 610 in particular are considered mature areas. Clearly, however, the model does not speak to heavily underutilized areas as Chinatown has been demonstrated to be. Nonetheless, new population growth for close in areas will have to compete with suburban areas to be successful.

Maintaining the level of employment over time, however, is likely to be more difficult according to the SAM-Houston model. The forecasting model demonstrates that employment tends to be more centralized than population, and tends to move to outlying areas later than does population. Houston has decentralized very rapidly during the 1980s, however, and employment has not yet fully responded. Thus the model projects that employment in Chinatown (and in other close in areas) will erode continually. Thus by the year 2020 the model is projecting employment to be fully 24.03% (303.00) and 25.42% (300.23) lower than currently for Chinatown. Essentially, the model is forecasting that it will be difficult to maintain current employment levels without a population base in the area.

V. Summary and Conclusion

This report shows that Chinatown has considerable unused capacity, so that it can support significant new growth in both population and employment. There is a relatively large supply of

vacant land that can support an expansion in employment. The existing employment base is large and diversified, so that there is a significant foundation from which employment growth can occur. But employment growth is unlikely to occur without either significant public or private sector initiatives, as employment in Houston is beginning to follow the population to the outlying areas. Further, the data do not indicate that retail trade is necessarily the sector to lead to future growth, as we have not found any discernable impact of the Convention Center on retail sales.

As opposed to employment, there is currently very little population in Chinatown. Further, the residential land in Chinatown is being used very lightly. Similar nearby areas have population per acre four to five times the levels found in Chinatown. Thus the capacity exists for significant expansion of population even if employment growth uses the existing vacant land.

Having shown the capacity for growth exists, the question is whether the conditions can be created to foster growth in both population and employment.

TABLE 1: EMPLOYMENT BY SECTOR IN CHINATOWN

<u>Sector</u>	<u>Journey to Work Employees¹</u>	<u>Dun and Bradstreet Employees²</u>
Agriculture	20	10
Mining & Construction	109	57
Manufacturing	202	269
Transportation & Communication	131	125
Wholesale & Retail Trade	606	414
Finance, Insurance & Real Estate	44	14
Services & Public Administration	413	753
TOTAL	1,529	1,637

¹ The source is the 1990 U.S. Census Journey to Work survey, based upon the employment location as reported by individual workers. The data has been extrapolated to Chinatown from Traffic Analysis Zones. Sector totals may not add to the total number of employees due to rounding.

² The source is the 1990 Dun and Bradstreet data, based upon the location of employees as reported by establishments. The data has been extrapolated to Chinatown from Census tracts based upon land use. Sector totals may not add to the total number of employees due to rounding.

TABLE 2: RETAIL SALES FROM 1984-1993

Year	Amount Subject to Tax (\$000's)		Gross Sales ¹ (\$000's)	
	Chinatown ²	Houston	Chinatown	Houston
1984	38,431	8,206,774	89,624	17,714,307
1985	37,952	8,396,364	79,789	17,002,507
1986	29,340	7,889,519	67,491	15,322,080
1987	27,831	7,739,492	62,312	15,375,404
1988	26,660	8,154,618	50,509	16,241,271
1989	27,989	8,744,757	47,009	17,094,960
1990	30,593	9,339,497	45,219	18,479,949
1991	28,788	9,507,536	43,412	18,559,738
1992	26,754	10,103,336	40,701	19,999,576
1993	26,971	10,103,336	41,988	21,190,517

Percentage Change

1984-86	-23.66%	-3.87%	-24.70%	-13.50%
1987-93	- 3.09%	+30.54%	-32.62%	+37.82%

¹ Gross sales is a voluntarily reported number. The Amount Subject to Tax is the actual sales tax base. The source of the data is the Texas Comptroller's Office.

² The Chinatown figures have been extrapolated from zip code data using land use data.

TABLE 3: TOTAL INDUSTRY SALES FROM 1984-1993

Year	Amount Subject to Tax (\$000's)		Gross Sales ¹ (\$000's)	
	Chinatown ²	Houston	Chinatown	Houston
1984	94,119	16,418,067	345,271	70,120,155
1985	85,432	17,013,333	308,690	70,343,575
1986	67,279	14,973,029	274,513	58,063,053
1987	66,212	14,498,260	249,292	59,880,128
1988	66,863	16,383,910	253,014	64,998,459
1989	68,825	18,383,910	246,610	73,363,249
1990	72,765	19,846,705	274,627	77,978,272
1991	72,005	20,259,448	267,104	77,628,812
1992	66,717	20,937,023	242,373	82,813,205
1993	69,562	21,867,711	237,492	81,206,517

Percentage Change

1984-86	-28.52%	-8.80%	-20.49%	-17.19%
1987-93	+5.06%	+50.83%	-4.73%	+35.62%

¹ Gross sales is a voluntarily reported number. The Amount Subject to Tax is the actual sales tax base. The source of the data is the Texas Comptroller's Office.

² The Chinatown figures have been extrapolated from zip code data using land use data.

REQUEST FOR COUNCIL ACTION

TO: Mayor via City Secretary

RCA #

SUBJECT: An Ordinance Approving the Project Plan and Reinvestment Zone Financing Plan for Reinvestment Zone Number Fifteen, City of Houston, Texas (East Downtown TIRZ)

Category #

Page 1 of 1

Agenda Item

FROM: (Department or other point of origin):

Origination Date

Agenda Date

Planning & Development Department

07/8/99

DIRECTOR'S SIGNATURE:

Council Districts affected:
District I - John Castillo

For additional information contact:

Robert M. Litke

Phone: 837-7708

Bill Calderon

Phone: 837-7787

Date and identification of prior authorizing Council Action: N/A

RECOMMENDATION: (Summary)

That City Council adopt an ordinance approving the project plan and reinvestment zone financing plan for Reinvestment Zone Number Fifteen, City of Houston, Texas, also known as the East Downtown tax increment reinvestment zone (TIRZ).

Amount of Funding:

Not Applicable

F & A Budget:

SOURCE OF FUNDING: General Fund Grant Fund Enterprise Fund

Other (Specify)

SPECIFIC EXPLANATION:

The Planning and Development Department is recommending that City Council adopt the Project Plan and Reinvestment Zone Financing Plan for Reinvestment Zone Number Fifteen (East Downtown). The plan projects development of an estimated \$159 million in residential and commercial/retail uses generating a cumulative tax increment of \$84.5 million.

The project plan forecasts the expenditure of \$47.4 million for street and sidewalk improvements, water, sanitary sewer, storm sewer improvements, and other project costs including a 2,500 space parking garage, a brownfields remediation fund, and creation and administration costs associated with the project.

The zone was created for a duration of 30-years, effective January 1, 2000

Attachment: Project plan and reinvestment zone financing plan.

Agenda Director

Anthony Hall, City Attorney

Anna Russell, City Secretary

REQUIRED AUTHORIZATION

F & A Director

F & A O.L.A. Rev. 5.1.98