

TEXAS DEPARTMENT OF CRIMINAL JUSTICE



**FEASIBILITY STUDY OF
RELOCATING THE CENTRAL UNIT**

(In accordance with Senate Bill 909, Section 22)

January 2009



SENATE BILL 909, SECTION 22

The 80th Legislature amended Chapter 499, Texas Government Code, by adding Section 499.072, requiring the Texas Department of Criminal Justice (TDCJ) to conduct a feasibility study of relocating the Central Unit. Section 499.072 reads as follows:

- (a) The Department shall conduct a feasibility study of relocating the Central Prison Unit and the adjoining prison housing units from their current location in Sugar Land, Texas, to a location that more appropriately addresses the needs of the correctional system.*
- (b) If relocation is determined to be in the best interest of the correctional system and the City of Sugar Land, during the course of the study the department shall examine:
 - (1) the costs and benefits of relocating the Central Prison Unit and the adjoining prison housing units;*
 - (2) appropriate measures to ensure that adequate easements are granted to allow development of surrounding property; and*
 - (3) an anticipated timeline for the relocation.**

The section of this report entitled “Potential Economic & Tax Impact Related to TDCJ Central Prison Unit & Smithville Property Redevelopment” was developed by the City of Sugar Land and reflects the local impact of relocating the Central Unit.

DESCRIPTION OF THE CENTRAL UNIT

The Central Unit is located in the city of Sugar Land on Hwy 90A and Hwy 6 in Fort Bend County (One Circle Drive, Sugar Land, Texas 77478). The unit was established in April 1909 and has approximately 336 acres of land. Within Region III of the TDCJ - Correctional Institutions Division (CID), the unit houses male offenders whose custody levels are G1, G2 or Outside Trusty. Including the trusty camp, the maximum capacity for the unit is 1,060.

LAND

When originally acquired in 1908, the Central Unit property was comprised of 5,435 acres; numerous land transactions, summarized as follows, have since reduced this property to approximately 336 acres:

Resurvey by State Reclamation Department (1935)	148 acres
Transfers to private industries and individuals (1921-1984).....	945 acres
Transfers to Texas State Highway Department (1964)	130 acres
Transfers to Texas State Highway and Public Transportation Commission (1985)	109 acres
Transfer to Fort Bend Independent School District (1986).....	56 acres
Transfer to Texas State Department of Highways and Public Transportation (1991).....	3,697 acres
Transfer to Permanent School Fund (2001)	14 acres

STATE LAND SALE PROCESS

I. Authority for Sale of Department Real Property

- A. Pursuant to § 496.0021, Texas Government Code, the Texas Board of Criminal Justice (the “Board”) may sell state-owned land under the Board’s management and control at the real property’s fair market value. The General Land Office (GLO) shall negotiate and close a transaction under this section on behalf of the Board using procedures outlined under § 31.158(c), Natural Resources Code.
- B. The Board may authorize the sale of land directly to a local government at fair market value without the requirement of a sealed bid sale if the local government acquires the property for use as a local correctional facility.

II. TDCJ Procedures for Identification and Approval to Sell Land

- A. The Director of Agribusiness, Land and Minerals, with the assistance of the GLO Asset Management Division, will identify surplus agency property that may potentially have value greater than its current use.
- B. If the disposal of agency-managed land is determined to be in the best interest of the agency and the state, the Agribusiness, Land and Minerals Department will seek agency executive approval and route the transmittal letter and resolution for signatures. If approved, the transmittal letter and resolution are placed on the Board agenda for consideration and approval.
- C. On receipt of Board approval, the Director of Agribusiness, Land and Minerals shall request the GLO to dispose of the subject property.

III. GLO Procedures for Real Estate Transaction Authorized by the Legislature

- A. As provided by § 31.158 (c), Natural Resources Code, the sale or lease of state land shall be by sealed bid, by public auction, or by contract real estate services; provided, however, prior to the bid sale, the School Land Board shall have the first option to purchase such real property pursuant to § 31.159 of the Natural Resources Code.
- B. Notice of the sale or lease shall be published at least 30 days prior to the date of sale or lease in at least three issues of four daily newspapers in the state. One of the papers must be of general circulation in the county where the land is located.
- C. The notice shall state that real property is to be offered for sale or lease on a certain date and that lists describing the real property and terms of sale can be obtained from the GLO.
- D. No bid may be accepted that does not meet the minimum value established by the GLO, which shall not be less than market value.

**III. GLO Procedures for Real Estate Transaction Authorized by the Legislature
(continued)**

- E. The GLO may reject any and all bids, but if the GLO elects not to reject any and all bids, it is required to accept the best bid submitted.
- F. If the award of a bid does not result in a final transaction with the bidder, the GLO may solicit proposals, negotiate, and sell, exchange, or lease the real property, provided that the sales price may not be less than market value.
- G. If, after proper notice has been posted, no bids meeting the minimum requirements are received at the appointed time and place for the sale or lease, the GLO may solicit proposals and negotiate the sale, exchange, or lease of the real property to any person, provided that the sales price may not be less than the market value of the real property. The Governor must approve any sale or lease of real property negotiated under this section. Failure of the Governor to approve the sale or lease constitutes a veto of the transaction.
- H. Each grant of an interest in real property made pursuant to this section shall be made by an instrument signed by the Commissioner of the General Land Office and, if the Governor's approval is required, by the Governor.
- I. The expenses incurred by the GLO in conducting the sale, exchange, or lease, including the payment of reasonable brokerage fees, may be deducted from the proceeds of the sale prior to deposit in the Texas Capital Trust Fund or other appropriate depository fund as may be directed by the Legislature. The GLO may promulgate rules relating to the payment of reasonable brokerage fees.
- J. Prior to the actual sale or lease, the State Representative and State Senator in the district where the subject real property is located shall be notified of all efforts to sell or lease the real property and shall be provided with copies of all brokerage contacts relating to the sale or lease.
- K. The GLO may contract for the services of a real estate broker or a private brokerage or real estate firm in the course of a real estate transaction under this section if the Commissioner of the General Land Office determines contracting for those services is in the best interest of the State.
- L. The TDCJ Agribusiness, Land and Minerals Department will provide technical and professional assistance to the GLO and monitor the expenses incurred in conducting the sale and the proceeds from the sale to ensure that all aspects of the sale are completed in the best interest of the State and TDCJ.

**APPRAISAL OF THE CENTRAL UNIT
(AS PROVIDED BY THE TEXAS GENERAL LAND OFFICE, 2006)**

Texas Department of Criminal Justice

GLO ID#: 718

Texas General Land Office

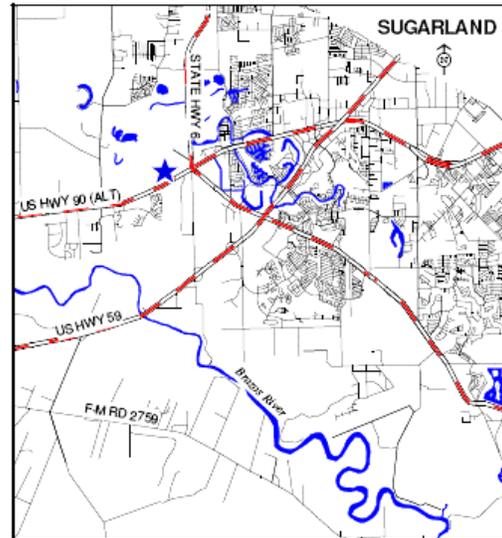
Central Unit

Location:

Hwy 90 and Hwy 6, Sugarland, Fort Bend County, Texas

Legal Description:

A.Hodge League Abstract 9 Fort Bend County



Location Map

Encumbrances

Physical: None

Legal: Deed Restrictions: None

Easements: Utility

Appraisal Date: ...3/30/2006	Acres: 325.74	Bldgs.:98	Bldg. Area: 476,117 sq.ft.
Sen. Dist.:17	Rep. Dist.:26	FAR: 0.04	Building Value: \$20,345,000
% in Floodplain:8%	Slope:Moderate		Improvement Value: \$0
Zoning:Unzoned			Land Value: \$10,150,000
Frontage:Hwy 90, Hwy 6			Total Market Value: \$30,495,000
Utilities:			Electricity, Gas, Telephone, Wastewater, Water
Surrounding Uses:			Agricultural, Governmental, Vacant, Residential
Current Use:			Correctional Facility
Highest and Best Use:			Correctional Facility
Agency Projected Use:			Correctional Facility

TDCJ uses this site, one of the oldest in the system, to support an 878-bed minimum security correctional facility for male offenders. It is located two miles west of Sugarland on Hwy 90 and Hwy 6 in Ft. Bend County, and is improved with 98 buildings. The prison compound is located on 118 acres with the remainder used for agricultural operations. Surrounding land use includes residential, agricultural, vacant, the Sugarland Municipal Airport, and another TDCJ unit as well.

The highest and best use as indicated by the appraisal is for mixed use. Ft. Bend County is one of the fastest growing areas in the state. The current use as a prison and for agricultural production is now considered an interim use. However, since TDCJ is using the property for a prison and its own farming and ranching purposes, it is complying with the highest and best use determination and the tract should therefore be retained.

Recommendation:

Retain for continued agency operations.

AUXILIARY OPERATIONS

Agricultural Operations

Consequent to the reduction of the acreage at the unit, limited Agribusiness operations are conducted at this site; the most significant of which is the heavy equipment repair shop. The shop was originally located at the Central Unit because of its ideal proximity to the majority of the crop acreage being farmed at the time. This operation is responsible for coordinating the overall maintenance and utilization of the harvesting and heavy equipment fleet. Subject equipment includes combines, cotton pickers, cotton strippers, terragators, motor graders, and bulldozers as well as a variety of vegetable harvesting and other specialty equipment. The heavy equipment shop is managed by five (5) agribusiness staff and supported by a workforce of 62 offenders from the Central Unit who are skilled in mechanics, welding, and equipment operation.

In addition to the above, the Agribusiness, Land and Minerals Department plants about 100 acres in corn each year at the Central Unit; the most recent harvest yielded over 210,000 pounds valued at approximately \$24,000. Over 91,000 pounds of squash were also harvested; a value of approximately \$15,000. In addition, the unit maintains a 46-acre garden, producing over 59,000 pounds of other fresh vegetables in FY 2008 valued at about \$9,000.

Manufacturing and Logistics Operations

The TDCJ Manufacturing and Logistics Division has four operations at the Central Unit: a soap and detergent factory; a distribution center; a mechanical shop; and a freight transportation terminal. These four operations provide necessary goods and services to the agency as well as jobs and training to the offender workforce.

- **Central Soap and Detergent Factory**

The Central Soap and Detergent Factory began operations at the Central Unit around 1965. The factory originally began as a side operation to a meatpacking process and now produces high quality janitorial products, bar soaps, laundry detergents, powdered bleach, scouring powders, automatic dishwashing compounds, dishwashing detergents, and body soaps used primarily by CID prison units across the state. Operating in a production area of 16,966 square feet, with warehouse spaces totaling 21,780 square feet, the Central Soap and Detergent Factory is an integral component of the Central Unit. Currently, the factory has nine (9) employees that supervise 95 offenders. During FY 2008, the factory had 201 offenders who participated in factory on-the-job training (OJT) programs.

Based on the Central Soap & Detergent Factory financial reports, departmental sales for FY 2008 were \$4,066,089.

- **Sugar Land Distribution Center**

The Sugar Land Distribution Center also began operations around 1965. The facility warehouses and distributes goods to 12 units in Region III and benefits the agency by saving distribution costs from Huntsville and Beeville warehouses. Currently, the Distribution Center has nine (9) employees who supervise and train 26 offenders. The facility has 64,056 square feet of space utilized for warehousing and distribution. The FY 2008 operating cost was \$338,882, excluding utilities.

During FY 2008, the Distribution Center distributed over \$7.0 million in food products and prison store products such as clothing, brooms, brushes, mops, boots and shoes. The Distribution Center also distributes soap products to prison units in the Sugar Land and Beeville areas.

- **Central Mechanical Shop**

Central Mechanical began operating around 1965 as a tire repair bay and evolved into a mechanical repair shop. Currently, the Mechanical Shop has five (5) employees who supervise and train 20 offenders. Through this training, these offenders have an opportunity to take the Automotive Service Excellence (ASE) test to become ASE certified mechanics.

The shop performs maintenance and repairs on vehicles assigned to the Central Unit and surrounding units and on other agency-owned vehicles. This shop repaired 1,817 vehicles in FY 2008. Utilization of offender mechanics saves the agency time and money and provides an opportunity for offenders to learn valuable skills.

- **Central Freight Transportation Terminal**

The Central Freight Transportation Terminal has been operating since 1965. Currently, the terminal has 18 truck drivers, two (2) dispatchers and one (1) terminal manager. The terminal also utilizes 11 offenders, some of which are graduates from the Windham School District (WSD) truck driving school. These offenders are provided an opportunity to get actual truck driving experience prior to their release.

The terminal supplies goods to Southern units and supports the Agribusiness, Land & Minerals Department and Texas Correctional Industries (TCI) by transporting agency-produced goods to customers.

During FY 2008, the terminal delivered 5,331 loads and logged over 654,000 miles. The terminal helps to reduce agency operating costs by operating a shuttle to Huntsville and Beeville, and by making deliveries to Region III units.

- **Central Freight Transportation Terminal (*continued*)**

The Central Freight Transportation Terminal also manages a small satellite motor pool. The satellite motor pool has six (6) vehicles that are available to agency staff in the Region III area. During FY 2008, over 106,000 miles were logged using these vehicles.

CENTRAL UNIT PHYSICAL PLANT

The Central Unit Maintenance Department is responsible for the corrective and preventive maintenance of 107 buildings on the Central Unit property encompassing 673,503 square feet. The facilities include those associated with offender housing, laundry and food service, education, agriculture, commissary, industrial operations, central plant, administrative areas and employee housing. The average annual cost for corrective and preventive maintenance (e.g., plumbing, electrical, HVAC, security/locking systems, etc.) of this facility is about \$268,000.

- Approximately 6,000 corrective and preventive work requests are completed annually.
- The unit maintenance department normally has 30 offenders assigned that are supervised by eight (8) staff members and craftsmen.
- Future repair and renovation projects identified in the 2010-14 Capital Expenditure Plan total \$4.5 million and include kitchen renovations, boiler room modifications and fire alarm system installation.
- The annual utility cost for FY 2008 was about \$807,000. This includes electricity, natural gas and solid waste only, as the unit has its own water wells and wastewater treatment plant. The average utility cost per offender per day is \$2.24.

Additionally, the Windham School District owns two (2) buildings at the Central Unit.

- One (1) portable building; 24' X 36' was purchased in 1993 for \$18,995.
- One (1) greenhouse; 30' X 96' was purchased in 1993 for \$2,850.

WSD also owns 15 truck-driving simulators housed on the unit.

WSD EDUCATIONAL PROGRAMS

- *Adult Literacy (2.5 teachers)* - The program provides adult education services for offenders who demonstrate academic achievement from first grade level through those working to attain a GED. Literacy classes are non-graded, competency based, and operated on a 12-month scholastic year. Offenders attend Literacy classes three (3) hours per day.
- *CHANGES/ Pre-Release (2 teachers)* - A 60 day life skills program designed to prepare offenders for release. All offenders who are within 24 months of release are eligible for CHANGES. This program also serves as a Tier program in order to satisfy Further Investigation, Rehabilitation (FIR) requirements.
- *Cognitive Intervention (1 teacher)* - A 60 day program designed to help offenders alter criminal thinking patterns. The program focuses on personal accountability and responsibility, anger management skills, impulse control, creation of positive attitude and beliefs, and goal-setting.
- *Parenting (.5 teacher)* - A 30 day program designed to support the development of healthy family relationships. The program addresses parenting strategies in order to assist offenders upon release as they resume the role of parents.
- *Truck Driving (3 teachers)* - A six (6) month Career and Technical Education (CTE) course designed to prepare eligible offenders with skills necessary to gain employment as commercial truck drivers. Students who complete this course may attain a Commercial Driver's License through the Department of Public Safety.
- *College (number varies, based on current course offerings; college employed)* - Extensive two (2) year college programming is offered to offenders in both academics and CTE through Alvin Community College. CTE programs include Food Service Preparation, Horticulture, and Drafting. Workforce courses, which are non-credit, short-term, work-skills courses are also offered. Offenders are offered the opportunity to achieve an Associate's degree through college offerings.
- **FY07 Program Completions**

Adult Literacy	115
CHANGES.....	234
Cognitive Intervention	119
Parenting.....	113
CTE (Truck Driving)	82
College (Associate's Degree)	8
College CTE (Horticulture, Food Service Prep., Drafting)	74
College Workforce (Bookkeeping, Accounting, etc.)	240

CHAPLAINCY DEPARTMENT - VOLUNTEER PROGRAMS

The Chaplaincy Department has a freestanding multipurpose building for the Chapel, which was donated by volunteers. In the event the property is sold, TDCJ has a commitment to the donors to relocate or replace this building on another correctional facility.

Volunteers facilitate the programs and typically supply the books and materials needed with the exception of the Voyager class. In FY 2008, volunteers visited the Central Unit 2,647 times and logged over 5,800 hours. The Chaplaincy programs offered at the Central Unit include:

<u>Programs</u>	<u>Average Number of Offenders</u>
Bridges to Life.....	49
Discipleship 1 & 2.....	13
Mentoring.....	50
Texas Association of Ex-Offenders (TAX) Phase 1, 2, 3.....	30
Toastmasters.....	23
Voyager.....	24

HEALTH SERVICES DEPARTMENT/CONTRACT MEDICAL SERVICES

The Central Unit has a unit medical clinic that provides health services, which are similar to a community health center or doctor's office. These services include:

- Medical (i.e., Physician, Physician Assistant, Advanced Practice Nurse)
- Nursing
- Dental
- Mental Health

Specialty clinics are provided by Digital Medical Services electronic system (telemedicine). Other specialty care is provided at Hospital Galveston or other off-site location. The medical services at the unit are provided by the University of Texas Medical Branch-Correctional Managed Health Care.

STAFFING/HOUSING

As of September 30, 2008, the Central Unit employed 230 correctional positions and 42 non-correctional, for a total of 272 employees. Additionally, there are 15 Windham School District employees and 21 Contract Medical/Psychiatric employees.

Unit	Correctional			Non-Correctional		
	Auth	Filled	Vacant	Auth	Filled	Vacant
Central	242	230	12	50	42	8
Other Units Located Near the Central Unit						
Darrington	492	413	79	86	73	13
Jester I	90	87	3	25	22	3
Jester III	233	222	11	42	36	6
Ramsey	351	304	47	79	71	8
Stringfellow	269	251	18	34	34	0
Terrell	334	313	21	67	56	11

A total of 113 housing units are located at the Central Unit, including duplexes, officer's quarters, single family units and mobile home spaces.

Central Unit Housing - August 2008

PROPERTY TYPE	HOUSING UNITS
Duplex	48
Mobile Home Space	9
Officer's Quarters	42
Single Family	14
Total	113

OFFENDER CAPACITY

Closure of the Central Unit would reduce TDCJ system capacity by 1,060 beds. Whether the loss of 1,060 beds would require the agency to add an equivalent number of beds in order to offset the reduction in system capacity would be contingent upon several factors, to include projected changes in the size of the offender population.

The latest offender population projections by the Legislative Budget Board (LBB) in June 2008 indicate a somewhat stable incarceration population over the next five years, long term population growth, and therefore a continued need for this capacity.

CENTRAL UNIT COSTS, 2007

Central Unit			
Facility Operational Cost Estimate			
Appropriation Year 2007			
Categories*	Allocated Costs**	Direct Costs	Offender Cost-Per-Day
Salaries and Wages	\$ 709,486.90	\$ 8,319,296.49	\$ 25.6336
Hazardous Duty and Longevity	23,953.09	327,594.50	0.9981
Overtime	25,691.63	738,557.18	2.1698
Agency Benefits	94,531.22	-	0.2684
State Benefits	228,045.25	2,579,731.08	7.9715
Other Personnel Costs	7,643.53	123,150.53	0.3713
Professional Fees and Services	51,600.22	-	0.1465
Client Services	61,125.50	5,520.69	0.1892
Medical/Psychiatric Services	764,535.99	907,870.67	4.7481
Fuels and Lubricants	47,134.10	42,443.03	0.2543
Food	19.52	678,078.68	1.9252
Necessities	68.70	116,395.06	0.3307
Consumable Supplies	17,788.14	98,093.21	0.3290
Postage	2,608.56	2,492.50	0.0145
Utilities	57,051.11	1,001,452.12	3.0052
Travel	10,491.22	4,280.30	0.0419
Rent (Buildings)	21,978.18	-	0.0624
Rent (Other)	10,531.32	9,915.88	0.0581
Other Misc. Operating Expenses/Services	254,282.64	305,808.52	1.5902
Equipment and Other Capital Outlay	34,312.90	-	0.0974
Equipment and Other Non-Capital Outlay	28,361.79	38,502.56	0.1898
	\$ 2,451,241.51	\$ 15,299,183.00	\$ 50.3952

* Categories include state benefits which are appropriated to the Comptroller and ERS.

**Allocated costs include warehouse operations, offender classification, medical and psychiatric services, central administration, etc.

SCENARIOS EVALUATED

This report addresses the feasibility of relocating the Central Unit from its current location to an alternative site within the state. The following section addresses three scenarios, all assuming a continued need for this offender capacity:

1. Closing the unit and leasing beds;
2. Closing the unit and constructing a new facility in close proximity; or
3. Closing the unit and constructing a new facility outside the nearby area.

SCENARIO 1 - CLOSE CENTRAL UNIT AND LEASE BEDS

Assumptions

In this scenario, the Central Unit would be closed, reducing the TDCJ system capacity by 1,060 beds. Based on the June 2008 LBB offender population projections, the TDCJ incarcerated offender population is projected to remain somewhat constant over the next five years. With a continued need for the offender capacity, TDCJ would have to contract for 1,060 offender beds. This scenario would give the agency the most flexibility with respect to offender population fluctuations in the future. However, the availability of lease beds is not always certain.

Impact to Offender Capacity

Assuming the loss of Central Unit's capacity would be offset by contracting for capacity beds, there would be minimal operational impact to the TDCJ offender capacity. With an average cost per day of \$41.20, the estimated cost for this additional contracted capacity would be approximately \$15.9 million annually.

Impact to Staffing

This scenario would result in a loss of almost 300 TDCJ positions; however, these employees would be given the option to transfer to a vacant position at another facility. Units in surrounding areas could absorb many of these positions, mitigating the impact to employees at the Central Unit. For a number of non-correctional employees, there may not be sufficient similar vacant positions to transfer to at other nearby units. Also, state employee housing would not be available for many of the employees currently residing at the Central Unit.

Impact to Operations

The location of the Central Unit provides certain operational efficiencies for the agency due to its close proximity to Harris County and Hospital Galveston. These efficiencies include, but are not limited to, the following:

- Harris County sentences more offenders to TDCJ than any other county. The Central Unit provides beds to assign offenders closer to this area.
- The Central Unit offers daily access to Hospital Galveston resulting in more efficient access to medical/mental health treatment services for offenders.

Therefore, closing the Central Unit would result in some operational challenges. In addition, programs and services currently being provided at the Central Unit (i.e., WSD educational programs) would need to be transferred to other facilities to the greatest extent possible to ensure the needs of the agency continue to be met.

SCENARIO 1 - CLOSE CENTRAL UNIT AND LEASE BEDS (continued)

Impact to Auxiliary Operations

The auxiliary operations conducted at the Central Unit are critically important to support the operations of units in the area and the agency as a whole. Closure of the Central Unit would require these operations to be relocated within the area to ensure the needs of the agency and surrounding units continue to be met.

Relocation costs include the construction of new facilities capable of supporting the existing level of production for each operation. The costs are based upon identifying suitable sites on existing TDCJ property where utility sources such as water, sewer, gas and electricity are accessible and in close proximity to the project site.

Manufacturing & Logistics

- Sugar Land Distribution Center \$3.4 million
- Central Mechanical Shop/Freight Transportation \$1.7 million
- Central Soap and Detergent Factory \$5.0 million

Agriculture Operations

- Heavy Equipment Repair Shop \$1.5 million

Overall Impact

Scenario 1 has no net impact on offender capacity. While three hundred TDCJ positions would be eliminated, many employees would have the ability to transfer to other vacant TDCJ positions at nearby units, thereby increasing the staffing levels at these units.

One-Time Fiscal Impact

- Anticipated proceeds from the sale of Central Unit land would be approximately \$10.2 million, based on the GLO's 2006 appraisal.
- Scheduled repair and renovation projects at the Central Unit would no longer be necessary, resulting in a cost avoidance of approximately \$4.5 million.
- The relocation costs of auxiliary operations are estimated at \$11.6 million.

Recurring Fiscal Impact

- As indicated on page 12, the 2007 Central Unit operational cost was \$15.3 million to include \$12.1 million in salaries, benefits and other personnel costs. If Central Unit employees transfer to vacant positions at other nearby facilities, the salaries and personnel costs from Central will be transferred to the receiving units. While the number of Correctional Officers agency wide will remain the same (currently, 23,643 filled Correctional Officer positions / 2,655 vacant), increased staffing levels at units receiving these transferred employees could reduce the dependence on overtime by approximately \$5.0 million per year. Additionally, specific operational costs that will be eliminated by closing the Central Unit (i.e., food, utilities, consumables, etc.) are estimated at \$3.2 million annually.
- Contracting with Texas counties and/or private prison vendors for 1,060 offender beds would cost approximately \$15.9 million annually.

**SCENARIO 1 -
CLOSE CENTRAL UNIT AND LEASE BEDS (continued)**

Timeline for Implementation

The timeline for Scenario 1 is contingent upon a sufficient amount of vendor-operated capacity being available. Construction and relocation of auxiliary operations is expected to take 12 to 15 months.

**SCENARIO 2 –
CLOSE CENTRAL UNIT AND CONSTRUCT NEW FACILITY NEARBY**

Assumptions

In this scenario, the Central Unit would be closed, reducing the TDCJ system capacity by 1,060 beds. Based on the June 2008 LBB offender population projections, the TDCJ incarcerated offender population is projected to remain somewhat constant over the next five years. With a continued need for the offender capacity, TDCJ would construct a new facility in relative close proximity to the existing location and relocate all prison functions to the new location.

Impact to Offender Capacity

There would be minimal impact to the TDCJ offender capacity, as the loss of Central Unit's capacity would be offset by constructing a new 1,000 bed facility. Construction of a 1,000 bed medium security unit would cost approximately \$73.2 million assuming the approval to construct is provided in the 2010-11 General Appropriations Act.

Other items not included in the construction cost would be transferred from the Central Unit. These items include: bedding, computers, office furnishings, independent recreation equipment, radios, and security equipment (helmets, vests, hand cuffs, firearms, ammunition, restraints, shields, batons, etc.).

Impact to Staffing

Essentially all Central Unit staff would have to ability to transfer to the newly constructed facility or to other vacant TDCJ positions at nearby units. The relatively close proximity would maximize the opportunity to retain these employees. Also, state employee housing would not be available for many of the employees currently residing at the Central Unit, as the construction costs above do not include employee housing.

**SCENARIO 2 –
CLOSE CENTRAL UNIT AND CONSTRUCT NEW FACILITY NEARBY**

(continued)

Impact to Operations

The location of the Central Unit provides certain operational efficiencies for the agency due to its close proximity to Harris County and Hospital Galveston. These efficiencies include, but are not limited to, the following:

- Harris County sentences more offenders to TDCJ than any other county. The Central Unit provides beds to assign offenders closer to this area.
- The Central Unit offers daily access to Hospital Galveston resulting in more efficient access to medical/mental health treatment services for offenders.

Therefore, closing the Central Unit and constructing a new facility located in relative close proximity to the existing unit location would provide the least amount of disruption to current operations in the event of relocation. In addition, programs and services currently being provided at the Central Unit (i.e., WSD educational programs) would be transferred to the new facility to ensure the needs of the agency continue to be met.

Impact to Auxiliary Operations

The auxiliary operations conducted at the Central Unit are critically important to support the operations of units in the area and the agency as a whole. Closure of the Central Unit would require these operations to be relocated within the area to ensure the needs of the agency and surrounding units continue to be met.

Relocation costs include the construction of new facilities capable of supporting the existing level of production for each operation. The costs are based upon identifying suitable sites on existing TDCJ property where utility sources such as water, sewer, gas and electricity are accessible and in close proximity to the project site.

Manufacturing & Logistics

- Sugar Land Distribution Center \$3.4 million
- Central Mechanical Shop/Freight Transportation \$1.7 million
- Central Soap and Detergent Factory \$5.0 million

Agriculture Operations

- Heavy Equipment Repair Shop \$1.5 million

SCENARIO 2 – CLOSE CENTRAL UNIT AND CONSTRUCT NEW FACILITY NEARBY

(continued)

Overall Impact

Scenario 2 has no net impact on offender capacity. It assumes construction of a 1000-bed medium security unit.

As stated in Section 155.23, Texas Administrative Code, if constructing a new correctional facility, the TDCJ site selection process would take into consideration the intent of the State of Texas to locate a facility:

- In close proximity to a county with 100,000 or more inhabitants to provide services and other resources provided in such a county;
- Cost-effectively with respect to its proximity to other facilities in the TDCJ;
- In close proximity to an area that would facilitate release of offenders or persons to their area of residence;
- In close proximity to an area that provides adequate educational opportunities and medical care;
- In close proximity to an area that would be capable of providing hospital and specialty clinic medical services, as well as a sufficient pool of medical personnel from which to recruit and contract;
- On State-owned or donated land; and
- In close proximity to an area that provides adequate utility infrastructure and services at competitive prices to include electricity, natural gas, water, sewer and solid waste for full requirements and expansion possibilities.

One-Time Fiscal Impact

- Anticipated proceeds from the sale of Central Unit land would be approximately \$10.2 million, based on the GLO's 2006 appraisal.
- Scheduled repair and renovation projects at the Central Unit would no longer be necessary, resulting in a cost avoidance of approximately \$4.5 million.
- Construction of a 1000-bed medium-security facility is estimated to cost \$73.2 million.
- The relocation costs of auxiliary operations are estimated at \$11.6 million.

Recurring Fiscal Impact

- While the Central Unit staff can be transferred to the newly constructed unit and other nearby facilities, operational efficiencies of the new unit (i.e., utilities, maintenance, etc.) could yield about \$0.5 million annually.

Timeline for Implementation

Upon receiving legislative approval and funding, the site selection, design, bid and award processes would take about 12 months with construction of the facility estimated to take 28 months. Construction and relocation of auxiliary operations would take 12 to 15 months.

SCENARIO 3 - CLOSE CENTRAL UNIT AND CONSTRUCT NEW FACILITY IN A DIFFERENT LOCATION

Assumptions

In this scenario, the Central Unit would be closed, reducing the TDCJ system capacity by 1,060 beds. Based on the June 2008 LBB offender population projections, the TDCJ incarcerated offender population is projected to remain somewhat constant over the next five years. With a continued need for the offender capacity, TDCJ would construct a new facility away from the existing location and relocate all prison functions to other locations.

Impact to Offender Capacity

There would be minimal impact to the TDCJ offender capacity, as the loss of Central Unit's capacity would be offset by constructing a new 1,000 bed facility. Construction of a 1,000 bed medium security unit would cost approximately \$73.2 million assuming the approval to construct is provided in the 2010-11 General Appropriations Act.

Other items not included in the construction cost would be transferred from the Central Unit. These items include: bedding, computers, office furnishings, independent recreation equipment, radios, and security equipment (helmets, vests, hand cuffs, firearms, ammunition, restraints, shields, batons, etc.).

Impact to Staffing

In this scenario, it is assumed that the new location would be a significant distance from the Central Unit; therefore, it is unlikely that many of the almost 300 Central Unit employees would choose to relocate to the new facility. These employees would be given the option to transfer to a vacant position at another facility. Units in surrounding areas could absorb many of these positions, mitigating the impact to employees at the Central Unit. For a number of non-correctional employees, there may not be sufficient similar vacant positions to transfer to at other nearby units. Also, state employee housing would not be available for many of the employees currently residing at the Central Unit, as the construction costs above do not include employee housing.

Ultimately, the new facility would be staffed from the labor pool in the new location.

**SCENARIO 3 -
CLOSE CENTRAL UNIT AND CONSTRUCT NEW FACILITY IN A
DIFFERENT LOCATION** *(continued)*

Impact to Operations

The location of the Central Unit provides certain operational efficiencies for the agency due to its close proximity to Harris County and Hospital Galveston. These efficiencies include, but are not limited to, the following:

- Harris County sentences more offenders to TDCJ than any other county. The Central Unit provides beds to assign offenders closer to this area.
- The Central Unit offers daily access to Hospital Galveston resulting in more efficient access to medical/mental health treatment services for offenders.

Therefore, closing the Central Unit would result in some operational challenges. In addition, programs and services currently being provided at the Central Unit (i.e., WSD educational programs) would need to be transferred to the new facility to the greatest extent possible to ensure the needs of the agency continue to be met.

Impact to Auxiliary Operations

The auxiliary operations conducted at the Central Unit are critically important to support the operations of units in the area and the agency as a whole. Closure of the Central Unit would require these operations to be relocated within the area to ensure the needs of the agency and surrounding units continue to be met.

Relocation costs include the construction of new facilities capable of supporting the existing level of production for each operation. The costs are based upon identifying suitable sites on existing TDCJ property where utility sources such as water, sewer, gas and electricity are accessible and in close proximity to the project site.

Manufacturing & Logistics

- | | |
|--|---------------|
| • Sugar Land Distribution Center | \$3.4 million |
| • Central Mechanical Shop/Freight Transportation | \$1.7 million |
| • Central Soap and Detergent Factory | \$5.0 million |

Agriculture Operations

- | | |
|-------------------------------|---------------|
| • Heavy Equipment Repair Shop | \$1.5 million |
|-------------------------------|---------------|

SCENARIO 3 - CLOSE CENTRAL UNIT AND CONSTRUCT NEW FACILITY IN A DIFFERENT LOCATION *(continued)*

Overall Impact

Scenario 3 has no net impact on offender capacity. It assumes construction of a 1000-bed medium security unit.

As stated in Section 155.23, Texas Administrative Code, if constructing a new correctional facility, the TDCJ site selection process would take into consideration the intent of the State of Texas to locate a facility:

- In close proximity to a county with 100,000 or more inhabitants to provide services and other resources provided in such a county;
- Cost-effectively with respect to its proximity to other facilities in the TDCJ;
- In close proximity to an area that would facilitate release of offenders or persons to their area of residence;
- In close proximity to an area that provides adequate educational opportunities and medical care;
- In close proximity to an area that would be capable of providing hospital and specialty clinic medical services, as well as a sufficient pool of medical personnel from which to recruit and contract;
- On State-owned or donated land; and
- In close proximity to an area that provides adequate utility infrastructure and services at competitive prices to include electricity, natural gas, water, sewer and solid waste for full requirements and expansion possibilities.

One-Time Fiscal Impact

- Anticipated proceeds from the sale of Central Unit land would be approximately \$10.2 million, based on the GLO's 2006 appraisal.
- Scheduled repair and renovation projects at the Central Unit would no longer be necessary, resulting in a cost avoidance of approximately \$4.5 million.
- Construction of a 1000-bed medium-security facility is estimated to cost \$73.2 million.
- The relocation costs of auxiliary operations are estimated at \$11.6 million.

Recurring Fiscal Impact

- As indicated on page 12, the 2007 Central Unit operational cost was \$15.3 million to include \$12.1 million in salaries, benefits and other personnel costs. If Central Unit employees transfer to vacant positions at other nearby facilities, the salaries and personnel costs from Central will be transferred to the receiving units. While the number of Correctional Officers agency wide will remain the same (currently, 23,643 filled Correctional Officer positions / 2,655 vacant), increased staffing levels at units receiving these transferred employees could reduce the dependence on overtime by approximately \$5.0 million per year. Additionally, specific operational costs that will be eliminated by closing the Central Unit (i.e., food, utilities, consumables, etc.) are estimated at \$3.2 million annually.
- Based on FY 2007 costs, the operational expenditures for the newly constructed unit is estimated at \$14.2 million annually.

**SCENARIO 3 -
CLOSE CENTRAL UNIT AND CONSTRUCT NEW FACILITY IN A
DIFFERENT LOCATION (continued)**

Timeline for Implementation

Upon receiving legislative approval and funding, the site selection, design, bid and award processes would take about 12 months with construction of the facility estimated to take 28 months. Construction and relocation of auxiliary operations would take 12 to 15 months.

CONCLUSION

This report is provided pursuant to Senate Bill 909, Section 22, requiring TDCJ to conduct a feasibility study of relocating the Central Unit. This report presents three options: closing the unit and leasing beds; closing the unit and constructing a new facility in close proximity; or closing the unit and constructing a new facility outside the area.

As the LBB will be updating their offender projections in January 2009, the TDCJ is prepared to work with the Legislature on this issue.

The section of this report entitled "Potential Economic & Tax Impact Related to TDCJ Central Prison Unit & Smithville Property Redevelopment" was developed by the City of Sugar Land and reflects the local impact of relocating the Central Unit.

Potential Economic & Tax Impact Related to TDCJ Central Prison Unit & Smithville Property Redevelopment

**City of Sugar Land, Texas
June 2008**



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Summary of Finding

The property currently occupied by the Central Prison Unit of the Texas Department of Criminal Justice (TDCJ) has the potential to be redeveloped. The TDCJ is reviewing the possibility of relocating the activity at the Central Prison Unit as well as the Smithville Prison Property (collectively referred to as CPU) to a location outside of Sugar Land.

A key attribute that distinguishes Sugar Land from its competitor suburban communities is its airport. The Sugar Land Regional Airport is the fourth largest airport in the greater Houston area, and the foremost general reliever airport in the southwest sector. More than 100 Fortune 500 companies utilize the airport annually. The airport also serves as a catalyst for corporate commerce in the Greater Houston market including the Westchase District, Uptown/Galleria, and Greenway Plaza.

Numerous studies have also found that synergies exist between general aviation activity and overall economic development. The trend of medium and large corporations using private aircraft for business activity is not projected to decline. Sugar Land and the greater Houston area have leveraged this asset to attract and retain businesses. No other regional general aviation airport in Texas offers the same locational advantages combined with state-of-the-art aviation facilities. This is not an asset that can be readily reproduced even with millions of dollars in state and federal funding.

The existing Sugar Land Business Park is a 1,000-acre business park located near the intersection of U.S. Highway 59 and U.S. Highway 90A. Currently, the business park is home to over 125 companies employing 9,000 workers with taxable investment in excess of \$500 million. A business park of this size has an enormous economic impact on the entire Houston region. Unfortunately, the business park's success has created a shortage of developable land. Frequently, the City of Sugar Land's economic development staff is unable to find a suitable piece of property for relocating and expanding businesses.

If the prison were to relocate and its land sold to private developers, the property could be redeveloped based on the City's existing land use code. The area has already been incorporated into a master development plan related to the growth and expansion of the Sugar Land Regional Airport. In addition, any redevelopment of the CPU property would also include a Business Park that has been zoned light industrial. The growth and expansion of these two key economic development drivers will play an important role in shaping the future of the region's economic and tax base. Since the private sector would be leading the redevelopment efforts, market forces encourage the highest and best use of the site.

The conversion of the CPU site would also enable an adjacent property known as Tract 2 to be fully developed. The existing Union Pacific railroad tracks limit direct access to Tract 2 via U.S. Highway 90A. If Sugar Land and/or private sector developer acquire the CPU site, Tract

2 would gain a vital access point using the main roadway entrance to the prison. Improved access would create additional value for the State and City by enabling the highest and best use of Tract 2. Based on current zoning, Tract 2 would be developed as a 315-acre light industrial business park.

The redevelopment of the 330 acre CPU site represents a unique source of new economic activity and tax revenue to the State of Texas and the City of Sugar Land, as it allows for the expansion of a market niche key to regional economic development success. Once fully developed, a new light industrial business park and expanded Sugar Land Regional Airport would be expected to support 3,300 jobs in the region with annual payrolls in excess \$136 million. Compared to the Baseline Scenario, redeveloping CPU generates approximately 2,400 net new jobs and \$86.1 million in additional earnings.

Table 1: Economic Impact Difference between Baseline & CPU Redevelopment

	Total Output	Total Payroll	Total Employment
CPU Site Redevelopment & Airport Expansion	\$483,114,391	\$136,209,182	3,313
Baseline & Existing Airport	\$162,775,227	\$50,128,750	952
Net Gains in Economic Activity	\$320,339,165	\$86,080,432	2,361
% Increase over Baseline	197%	172%	248%

Source: TXP

The local public sector also stands to gain from incremental tax revenues generated as a result of the CPU redevelopment and airport expansion. In terms of tax revenue at full build out, the City of Sugar Land is projected to realize almost \$1.0 million in additional revenue per year. The State of Texas will also generate an additional \$4.6 million in revenue per year. Note, this analysis does not include the potential positive fiscal impact that could be realized by the TDCJ from the sale of the CPU site.

Table 2: Tax Revenue Difference between Baseline & CPU Redevelopment

	City of Sugar Land	State of Texas
CPU Site Redevelopment & Airport Expansion	\$1,372,852	\$7,310,510
Baseline & Existing Airport	\$389,919	\$2,698,245
Net Gains in Tax Revenue	\$982,934	\$4,612,265
% Increase over Baseline	252%	171%

Source: TXP

The redevelopment of the CPU site and expansion of the existing airport would produce the following positive benefits for the State of Texas and the City of Sugar Land:

- 2,400 new jobs
- \$86.1 million in additional annual wages

- 
- \$4.6 million in additional annual taxes to the State of Texas
 - \$1.0 million in additional annual taxes to the City of Sugar Land
 - Enhanced value of Tract 2 property formerly owned by the State of Texas

Introduction

Economic Growth in Fort Bend County

Quality of life, rich cultural heritage, and a rapidly growing employment base have all contributed to the prosperity of Fort Bend County. In 2007, the County's population surpassed 500,000 residents – making Fort Bend the 10th largest county in Texas. The average worker employed by a Fort Bend-based employer earns over \$43,000 per year – nearly five percent above the state average. Since 2000, Fort Bend's employment base has grown at a compound annual growth rate of 4.7 percent compared to the Texas rate of 1.1 percent. Clearly, Fort Bend County has been one of the major economic engines that powered Texas' growth over the past 10 years.

Based on population projections from the Texas State Data Center located at the University of Texas at San Antonio, Fort Bend County will experience dramatic growth over the coming decades. Total county population is projected to surpass 800,000 residents by 2025. The Texas Workforce Commission estimates the Gulf Coast WDA employment growth rate will be 2.1 percent over the next few years. The combination of the greater Houston area's oil and gas industry resurgence and Fort Bend's unique attributes will make this area attractive for future economic development projects.

Within Fort Bend County, the City of Sugar Land serves as the anchor community. While the City accounts for only 3.6 percent of the land mass of Fort Bend, it supports roughly 15 percent of the population, nearly 17 percent of the total employment, generates 23 percent of the net taxable value, and about 33 percent of the county's gross sales. Over the past nine years, Sugar Land experienced a 95 percent increase in job creation, far exceeding county, region, state and national job growth rates. Sugar Land's attractiveness for business recruitment and retention is highlighted by the major companies present in the city including Boise Cascade, Fluor Corporation, Noble Drilling, and Schlumberger Companies. Recently, Coca-Cola North America announced plans to move its Minute Maid Business Unit headquarters to Sugar Land Town Square, a project that will bring more than 400 jobs and several million dollars in new capital investment to the City.

Each community has strengths and weaknesses when it comes to economic development. Some have access to skilled workers while other places offer better schools and affordable housing. For anyone familiar with the area, it is no surprise that Sugar Land is often ranked by national magazines as a top place to live and work by scoring high in those factors most important. For example, in 2006 the community was ranked as the 3rd best city in the U.S. to live by CNN/Money Magazine. It was ranked the 8th best place in the nation to raise a family by the guidebook *Best Places to Raise Your Family – The Top 100 Affordable Communities in the U.S.*

The Sugar Land Regional Airport's Role in Economic Development

A key attribute that distinguishes Sugar Land from its competitor suburban communities is its airport. The Sugar Land Regional Airport is the fourth largest airport in the greater Houston area, and the foremost general reliever airport in the southwest sector. An ambitious capital improvements program is currently in progress, aimed at offering customers the highest quality facilities and services. More than 100 Fortune 500 companies utilize the airport annually. Amenities at the airport include: a new 20,000-square-foot corporate aviation terminal; a state-of-the-art air traffic control tower and radar system; a reinforced, concrete runway measuring 100 feet wide by 8,000 feet in length (longer than Hobby Airport's runway), accommodating the largest of the corporate-type business jets; and an instrument landing system and high-intensity lighting. Because of its importance, the Sugar Land Regional Airport has received \$38.6 million in federal and state grants since 2003.

According to a 2005 Texas Department of Transportation study, *The Economic Impact of General Aviation in Texas*, the Sugar Land Regional Airport has a noticeable impact on the local economy. The following table highlights the economic impact of **On-Airport Tenants** (i.e., aviation-related businesses such as FBOs, flight schools, government entities, and others. Government entities include public airport sponsors, TxDOT, FAA, and various other public agencies) and **General Aviation Visitors** (Impacts associated with general aviation are generated by non-local passengers arriving via private or corporate aircraft).

Table 3: Total Airport Impact of the Sugar Land Regional Airport (Annual)

	Total Output	Total Payroll	Total Employment
On-Airport Tenants	\$87,804,000	\$16,493,000	278
General Aviation Visitors	\$6,975,000	\$4,022,000	155
Total	\$94,779,000	\$20,515,000	433

Source: Texas Department of Transportation and Wilbur Smith Associates

Beyond the readily quantifiable economic impacts outlined in Table I, the City of Sugar Land and its economic development officials have specifically leveraged the existence of the airport to attract, retain, and grow companies. Without the airport, it is likely that a number of major companies might not have located in Sugar Land. The following three examples highlight this fact.

Sunoco Logistics: Located to Sugar Land in 2006 from Tulsa, Oklahoma. The company was formed to acquire, own, and operate Sunoco's refined product, crude oil pipelines, and terminal facilities. This consolidation of their Western Pipeline System brought over 150 jobs to Sugar Land. Close proximity to the Sugar Land Regional Airport was an important amenity because it offered the company easy access to its corporate jets. These planes are used to fly between Sugar Land and the corporate headquarters in Philadelphia as well as to visit the pipeline system throughout the U.S.

Tramontina USA: In 1999, the Brazilian-based firm built a 250,000 square foot facility in Sugar Land to distribute cookware and cutlery throughout the U.S. Today, the company occupies 1.8 million square feet with capital assets of over \$120 million. The company has also leased a cookware manufacturing facility in Manitouac, Wisconsin. Tramontina utilizes charter jet service on a weekly basis due to the numerous trips that staff must make to Bentonville, Arkansas and Manitouac, Wisconsin. The firm occasionally uses the onsite U.S. Customs Services for its travels to Brazil.

Bechtel Equipment Operations: The firm is the asset management division of Bechtel Companies. Bechtel Equipment Operations relocated and consolidated its operations to Sugar Land in 2007. The company invested over \$7 million in new capital investments and created 50 new jobs. Bechtel Equipment Operations as well as the Bechtel Oil & Gas division in Houston have three corporate jets that utilize the Sugar Land Regional Airport on a monthly basis. The location of the airport was instrumental in Bechtel's decision to locate here.

A Texas Department of Transportation study also found that businesses are attracted to and prefer regions that offer corporate or general aviation airports in addition to commercial airports:

Many non-aviation businesses in Texas depend on the airport system to efficiently move personnel, equipment, and products. Some businesses own or charter general aviation aircraft, many have employees who travel regularly via commercial airlines, others have customers or suppliers who use the airport system to reach them, and many rely on express and air cargo services. A statewide survey of 4,000 businesses indicates that there are numerous additional jobs that are reliant on the system of public-use airports. When major businesses were asked to rank the top reasons why they choose to locate where they do, convenient access to a commercial service airport and access to a general aviation airport were among the top locational factors identified.

Increasingly, Fortune 500 companies operate or lease private aircraft. The Texas Department of Transportation study not only identifies this trend, but highlights the preference of reliever airports, such as the Sugar Land Regional Airport, by businesses:

Many of the nation's leading employers that use general aviation as a business tool are members of the National Business Aviation Association (NBAA). The NBAA's Business Aviation Fact Book 2004 indicates that more than 75 percent of all companies included in the Fortune 500 operate business aircraft. Additionally, 92 companies included in the Fortune 100 operate general aviation aircraft. According to NBAA analysis in 2003, specific financial advantages were identified for companies operating business aircraft over non-operating firms. Businesses that operated

aircraft consistently outperformed non-operators in key economic performance measures, such as annual sales volume, number of employees, value of assets, stockholder's equity, and annual income.

According to the NBAA, the flexibility of a company to use general aviation airports that are located closer to one's final destination, as opposed to using highly congested commercial service airports, is a vital part of the utility of general aviation aircraft. In fact, many business aircraft operators prefer to use reliever airports in major metropolitan areas instead of airline hubs.

Cleary, the Sugar Land Regional Airport's economic impact extends beyond its physical boundaries. Fort Bend County and surrounding areas have been able to attract and retain firms because of the quality of this facility.

The Sugar Land Business Park's Role in Economic Development

The Sugar Land Business Park is a 1,000-acre business park located near the intersection of U.S. Highway 59 and U.S. Highway 90A. Currently, the Business Park is home to over 125 companies employing 9,000 workers with taxable investment in excess of \$500 million (see Appendix I for Business Park map). The following table highlights some of the companies located at the business park.

Table 4: Sugar Land Business Park Tenants

Business Name	Improvement SF	Jobs
Tramontina	3,040,043	300
GSL Industries	1,174,615	10
Unique Industrial Products	1,045,880	6
Finger Furniture	737,760	300
Thermo Fisher	506,248	166
Baker Petrolite	473,224	350
Yokogawa	447,350	300
Schlumberger	415,000	2,000
KW Industries	315,975	100
Crown Cork and Seal	286,218	140
Houston Signa Technologies	285,790	238
Continental Polybags	262,560	40
Bechtel Equipment Operations	225,994	40
National Oilwell	160,000	300
Sabic Americas	137,625	50

Source: City of Sugar Land

A business park of this size has an enormous economic impact on the entire Houston region. Unfortunately, the business park's success has created a shortage of developable land. Frequently, the City of Sugar Land's economic development staff is unable to find a suitable piece of property for relocating and expanding businesses.

The Redevelopment Potential of the Central Prison Unit & Smithville Property

Even though Sugar Land remains an attractive location for economic development recruitment and retention, the community is landlocked and is quickly running out of developable land (see Appendix 2). This is not only a major concern for local officials that rely on a growing tax base to provide services to residents, but also regional and state economic development officials that have marketed land availability near the Sugar Land Regional Airport. The developable land shortage also includes the Airport and the existing industrial park which are both near capacity. Each year, numerous companies looking for new sites and businesses wishing to lease hangars or relocate aircraft in Sugar Land are turned away due to lack of available space. Examples include R. Lacy Services and Tidewater, Inc.

The property currently occupied by the Central Prison Unit of the Texas Department of Criminal Justice (TDCJ) has the potential to be redeveloped. The TDCJ is reviewing the possibility of relocating the activity at the Central Prison Unit and Smithville Prison Property (collectively referred to as CPU) to a location outside of Sugar Land. Currently, the Central Prison Unit reportedly houses 995 inmates. There are 323 employees at the Central Prison Unit with salaries totaling \$15.9 million.

Economic and Tax Impact of CPU Redevelopment

As part of the CPU relocation study, the TDCJ has requested Sugar Land's help in preparing an assessment that focuses on the local cost-benefits of the project. If the prison were to relocate and land sold to private developers, the property could be redeveloped based on the City's existing land use code. The area has already been incorporated into a master development plan related to the growth and expansion of the Sugar Land Regional Airport. In addition, any redevelopment of the CPU property would also include a Business Park that has been zoned light industrial. If the City of Sugar Land and/or private sector developer acquire the CPU site, Tract 2 would gain a vital access point using the main roadway entrance to the prison. Based on current zoning, Tract 2 would be developed as a 315-acre light industrial business park. The growth and expansion of these key economic development drivers will play an important role in shaping the future of the region's economic and tax base. Since the private sector would be leading the redevelopment efforts, market forces encourage the highest and best use of the site.

To assist Sugar Land estimating the costs and benefits of this potential relocation and redevelopment, TXP was retained in February 2008 to calculate the current economic impact of CPU operations on the area economy as well as estimate the redevelopment potential. See Appendix 3 for a map of the study area.

Baseline Assessment of CPU & Sugar Land Regional Airport

As a starting point for evaluating the net economic and tax impact of redeveloping the CPU site, it is important that Sugar Land and TDCJ officials understand the current impact of the existing land uses. This section begins with a description of the methodology used to establish both the baseline and redevelopment impacts. Following the methodological review, the baseline regional economic and tax revenue impact results can be found. Note, unlike a typical private sector business, the CPU site is exempt from local property taxes.

Economic Impact Methodology

An economy can be measured in a number of ways. Three of the most common are “**Output**,” which describes total economic activity and is equivalent to a firm’s gross sales, “**Employee Earnings**,” which corresponds to wages and benefits, and “**Employment**,” which refers to permanent jobs that have been created in the local economy.

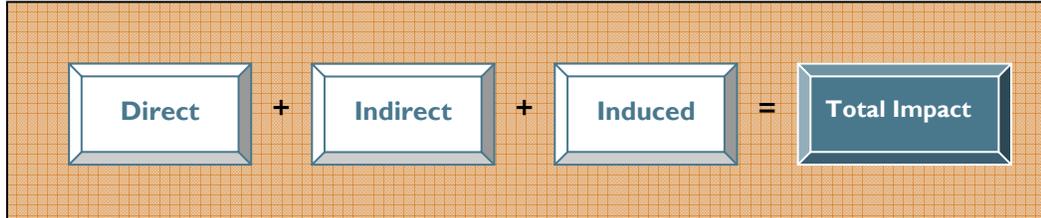
In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced.

Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor’s stay, for example, as do the cleaning supplies outlet owner and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent by them in the local economy.

Figure 1: The Flow of Economic Impacts



The interdependence between different sectors of the economy is reflected in the concept of a “multiplier.” An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, another \$400 in output is produced in all other sectors.

Because Sugar Land is linked to a much larger Houston MSA, using regional multipliers is appropriate. However, only a portion of the economic activity and tax revenue generated will be captured by Sugar Land and Fort Bend County. Given the size, scope and nature of the development, it is likely that the majority of employees will live in Fort Bend County.

This analysis uses the IMPLAN input-output economic system, RIMS II, and proprietary TXP models. TXP has customized the models by modifying the underlying industry data and by altering regional purchasing coefficient assumptions.

Tax Revenue Impact Methodology

There are two areas of local tax impact: direct activity at the site itself such as property taxes, and indirect and induced activity (the ripple effects) that occur within the regional economy. Undoubtedly, some portion of the tax impact associated with the ripple effects will occur in Sugar Land, but it is difficult to accurately measure exactly what will and will not happen within the city limits (since some of the activity may represent a shifting of existing demand). TXP has used a two-step approach for calculating the tax impact: onsite property tax revenue and other tax revenue.

The onsite property tax revenue impact is calculated by multiplying the taxable value by the appropriate ad valorem tax rate. Because the CPU site is zoned light industrial and aviation related, there will be minimal commercial activity that would generate substantial sales or hotel occupancy tax revenues in the foreseeable future. The Airport does generate sales tax revenues if a plane is sold, but this revenue stream is hard to quantify because aircraft sales are not frequent. In addition, onsite taxable retail and food concessions sales are minimal.

The other tax revenue calculation attempts to capture all other non-property general fund tax revenue generated onsite and offsite (including the ripple effects). TXP has developed a

technique to provide policy makers with an approximation of these tax revenues. The approach TXP used to estimate this tax impact was to examine the relationship between total wages and total public sector tax revenue after subtracting property tax collections. This approach does not provide a detailed breakdown per tax revenue stream, but does provide an estimate of total general fund tax revenue from all sources, including major taxes like the sales tax and far smaller ones like licenses and permits. A similar approach was used for calculating the State of Texas tax revenues.

Baseline Assessment of CPU and Existing Sugar Land Regional Airport

Using data from the Texas Department of Transportation Study as well as data from the TDCJ, TXP has estimated the annual economic impact of the existing land uses.

Table 5: Baseline Economic Impact of CPU & Sugar Land Regional Airport

	Total Output	Total Earnings	Total Employment
On-Airport Tenants	\$87,804,000	\$16,493,000	278
General Aviation Visitors	\$6,975,000	\$4,022,000	155
TDCJ Central Prison Unit	\$67,996,227	\$29,613,750	519
Total	\$162,871,167	\$50,273,610	957

Source: TXP, Texas Department of Transportation, and Wilbur Smith Associates

Using the tax revenue estimation technique outlined above, TXP has estimated the annual tax collections for Sugar Land (General Fund), the State of Texas (major taxes such as sales, hotel, and franchise), and other local property taxing jurisdictions.

Table 6: Baseline Property Tax Impact of CPU & Sugar Land Regional Airport

	Tax Rate	Taxable Value	Total Taxes	% of Total
Fort Bend ISD	\$1.25000	\$50,489,080	\$631,114	60%
Fort Bend Co Gen	\$0.49874	\$50,489,080	\$251,809	24%
Fort Bend Drainage	\$0.01800	\$50,489,080	\$9,088	1%
City of Sugar Land	\$0.30000	\$50,489,080	\$151,467	15%
Total	\$2.06674	\$50,489,080	\$1,043,478	100%

Source: TXP

Table 7: Baseline Tax Revenue Impact of CPU & Sugar Land Regional Airport

	Total Tax Revenue	% of Total Tax Revenue
City of Sugar Land Total	\$389,919	13%
Onsite Property Tax	\$151,467	
Other Tax Revenue	\$238,451	
State of Texas	\$2,698,245	87%
Total	\$3,088,163	100%

Source: TXP

Central Prison Unit Redevelopment Economic Analysis

Redevelopment Potential of CPU and Smithville Prison Property

Existing Sugar Land planning and zoning guidelines regulate the redevelopment of the CPU site. The current land use plans call for aviation use and light industrial on the CPU site. The Central Prison Unit property is approximately 230 acres. The Smithville Prison Property is approximately 100 acres. Based on conversations with city officials as well as economic trends within the region, these two land uses represent the highest and best re-use of the site.

First, Sugar Land's successful economic development efforts have created a shortage of industrial and commercial land. Only 20 percent of the Sugar Land Business Park is available for future development. Current Sugar Land Business Park tenant activity supports over 9,000 jobs across a variety of industries. Without acquiring the CPU site for light industrial use, the City's ability to attract economic development projects will be negatively impacted. City economic development officials must now pass on recruitment targets that would be ideal candidates for this property. The site's existing rail access makes it an even more attractive location given plans by Union Pacific to develop an intermodal facility near Rosenberg (See Appendix 4).

Second, the existing Sugar Land Regional Airport is a very successful general aviation airport. Once the current hangar expansion project is completed, 160 aircraft will be based at the airport - with the majority owned by private individuals. In addition, the demand for hangar and general aviation services exceeds the supply. A number of FAA rules limit the ability of the airport to expand without acquiring the Smithville site and gaining road access via the CPU site. There is a 26 jet aircraft waiting list for hangar space at the Sugar Land Regional Airport. Therefore, the financial risk in expanding the airport is minimal.

Third, synergies do exist between general aviation activity and economic development. The trend of medium and large corporations using private aircraft for business activity is not projected to decline. Sugar Land and the greater Houston area have leveraged this asset to attract and retain businesses. No other regional general aviation airport in Texas offers the same locational advantages combined with state-of-the-art aviation facilities. This is not an asset that can be readily reproduced even with millions of dollars in state and federal funding. This unique combination of attributes helps Sugar Land and the State of Texas compete against other communities.

Last, the CPU does not generate taxes for the State of Texas or Sugar Land. While no public facility is taxable, the location of these facilities does make a difference. The combination of airport growth, existing transportation access, and limited developable land make the CPU site one of the most underutilized sites in the region.

Based on conversations with Sugar Land representatives and an assessment of economic trends, TXP has developed a preliminary redevelopment scenario for the CPU site. While market forces will dictate the ultimate land use, TXP's analysis is predicated on existing Sugar Land data. The following assumptions were used in the analysis of the CPU site redevelopment:

- The entire Smithville site (100 acres) will be incorporated into the existing Sugar Land Regional Airport. New hangars, taxiways, and other general aviation services will be expanded as well as other related services that support the airport. The number of Sugar Land-based aircraft will expand from 160 to roughly 250. The Airport will gain road access to the western side of the property via the CPU site. This new road access is required by the FAA to fully develop this portion of the existing Airport property.
- The CPU site (230 acres) will be divided between the Sugar Land Regional Airport (90 acres) and a future light industrial business park (140 acres).
- Using detailed data on the existing Sugar Land Business Park as a reference point, the future business park could support 1,100 workers with a total taxable value in excess of \$138 million at full build out.
- TXP converted the redevelopment land uses, employment patterns, and capital investment into new economic activity. Once these direct effects were established, these variables were used as inputs into TXP's economic impact model.
- TXP's economic and tax revenue impact is based on a fully redeveloped or "full build out" CPU site and expanded Airport. It will take many years for this development to occur so the new jobs, wages, and tax revenues will be phased in over the next 10 to 15 years. The Sugar Land Regional Airport, for example, would likely apply for state and federal funds to help pay for runway rehab/repair, new ramp space, taxiways, or other airport infrastructure. Comparing the impact of the baseline versus the full build out scenario, however, does provide local and state officials a sense of the tax revenue difference between development scenarios.

There are two primary areas of new economic impact: 1) ongoing economic activity associated with a business and 2) the tax revenue that is generated by the business. In general, the construction spending impact is considered short-term or temporary because construction spending is finite. Therefore, TXP has excluded it from this analysis.

Tables 5, 6, and 7 highlight the potential “full build out” economic and tax impact of redeveloping the CPU site by creating a light industrial business park and expanding the Airport (See Appendix 5 for detailed Tables).

Table 8: Estimated Economic Impact of Redeveloped CPU & Expanded Airport

	Total Output	Total Earnings	Total Employment
Sugar Land Regional Airport	\$207,783,960	\$45,246,801	957
New Business Park	\$275,330,432	\$90,962,382	2,356
Total	\$483,114,391	\$136,209,182	3,313

Source: TXP

Using the tax revenue estimation technique outlined above, TXP has estimated the annual tax collections for Sugar Land (General Fund), the State of Texas (major taxes such as sales, hotel, and franchise), and other local property taxing jurisdictions.

Table 9: Estimated Property Tax Impact of Redeveloped CPU & Expanded Airport

	Tax Rate (2007)	Taxable Value	Total Taxes	% of Total
Fort Bend ISD	\$1.25000	\$242,267,430	\$3,028,343	60%
Fort Bend Co Gen	\$0.49874	\$242,267,430	\$1,208,285	24%
Fort Bend Drainage	\$0.01800	\$242,267,430	\$43,608	1%
City of Sugar Land	\$0.30000	\$242,267,430	\$726,802	15%
Total	\$2.06674	\$242,267,430	\$5,007,038	100%

Source: TXP

Table 10: Estimated Annual Tax Impact of Redeveloped CPU & Expanded Airport

	Total Tax Revenue	% of Total Tax Revenue
City of Sugar Land Total	\$1,372,852	16%
Onsite Property Tax	\$726,802	
Other Tax Revenue	\$646,050	
State of Texas	\$7,310,510	84%
Total	\$8,683,362	100%

Source: TXP

Conclusion

The redevelopment of the CPU site represents a unique source of new economic activity and tax revenue to the State of Texas and the City of Sugar Land, as it allows for the expansion of a market niche key to regional economic development success. Once fully developed, the CPU site and expanded Sugar Land Regional Airport would be expected to support 3,300 jobs in the region with annual payrolls in excess of \$136 million. Compared to

the Baseline Scenario, redeveloping CPU generates approximately 2,400 net new jobs and \$86.1 million in additional earnings.

Table 11: Economic Impact Difference between Baseline & CPU Redevelopment

	Total Output	Total Payroll	Total Employment
CPU Site Redevelopment & Airport Expansion	\$483,114,391	\$136,209,182	3,313
Baseline & Existing Airport	\$162,775,227	\$50,128,750	952
Net Gains in Economic Activity	\$320,339,165	\$86,080,432	2,361
% Increase over Baseline	197%	172%	248%

Source: TXP

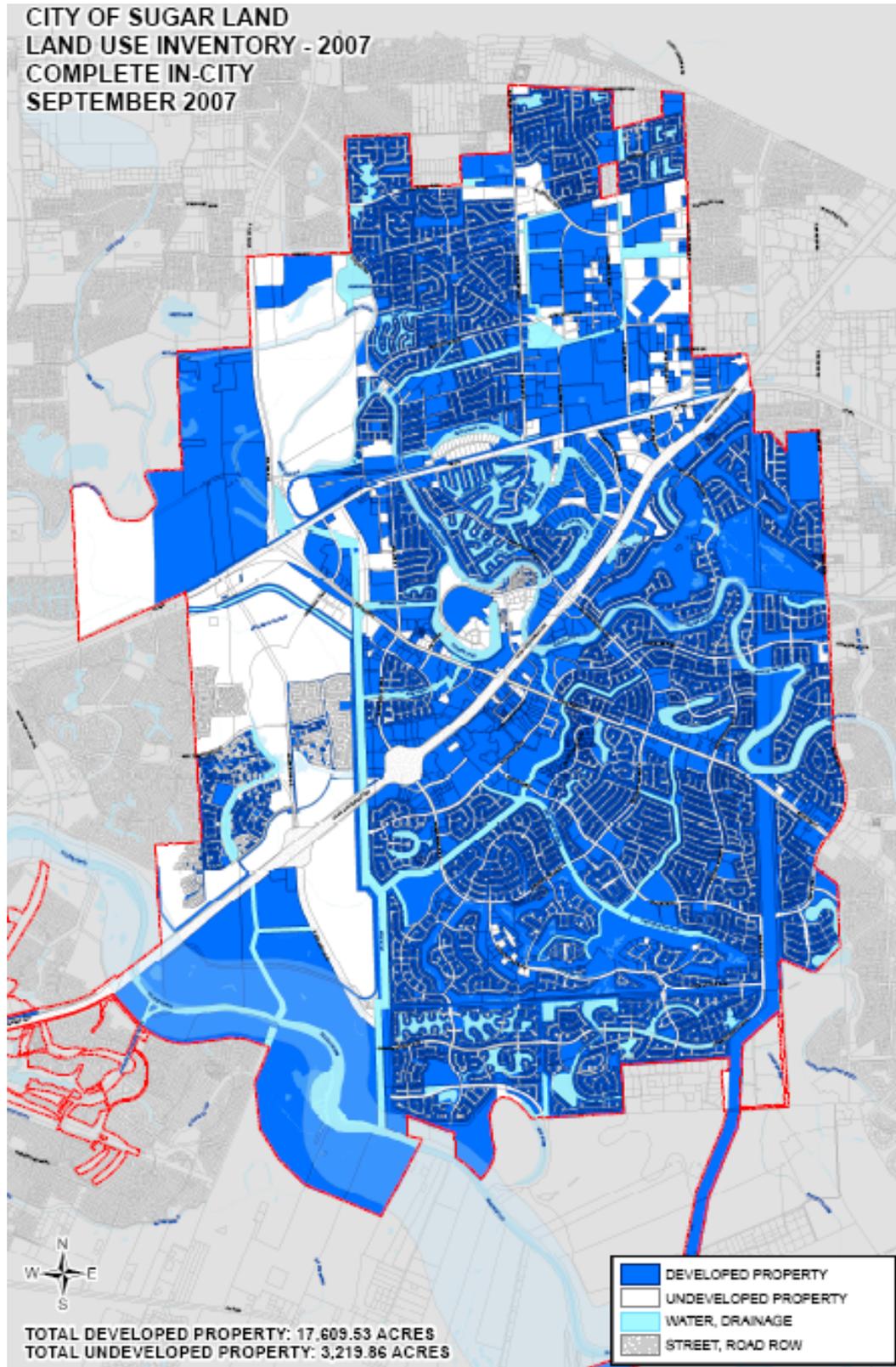
The local public sector also stands to gain from incremental tax revenues generated as a result of the CPU redevelopment and Airport expansion. In terms of tax revenue at full build out, the City of Sugar Land is projected to realize almost \$1.0 million in additional revenue per year. The State of Texas will also generate an additional \$4.6 million in revenue per year.

Table 12: Tax Revenue Difference between Baseline & CPU Redevelopment

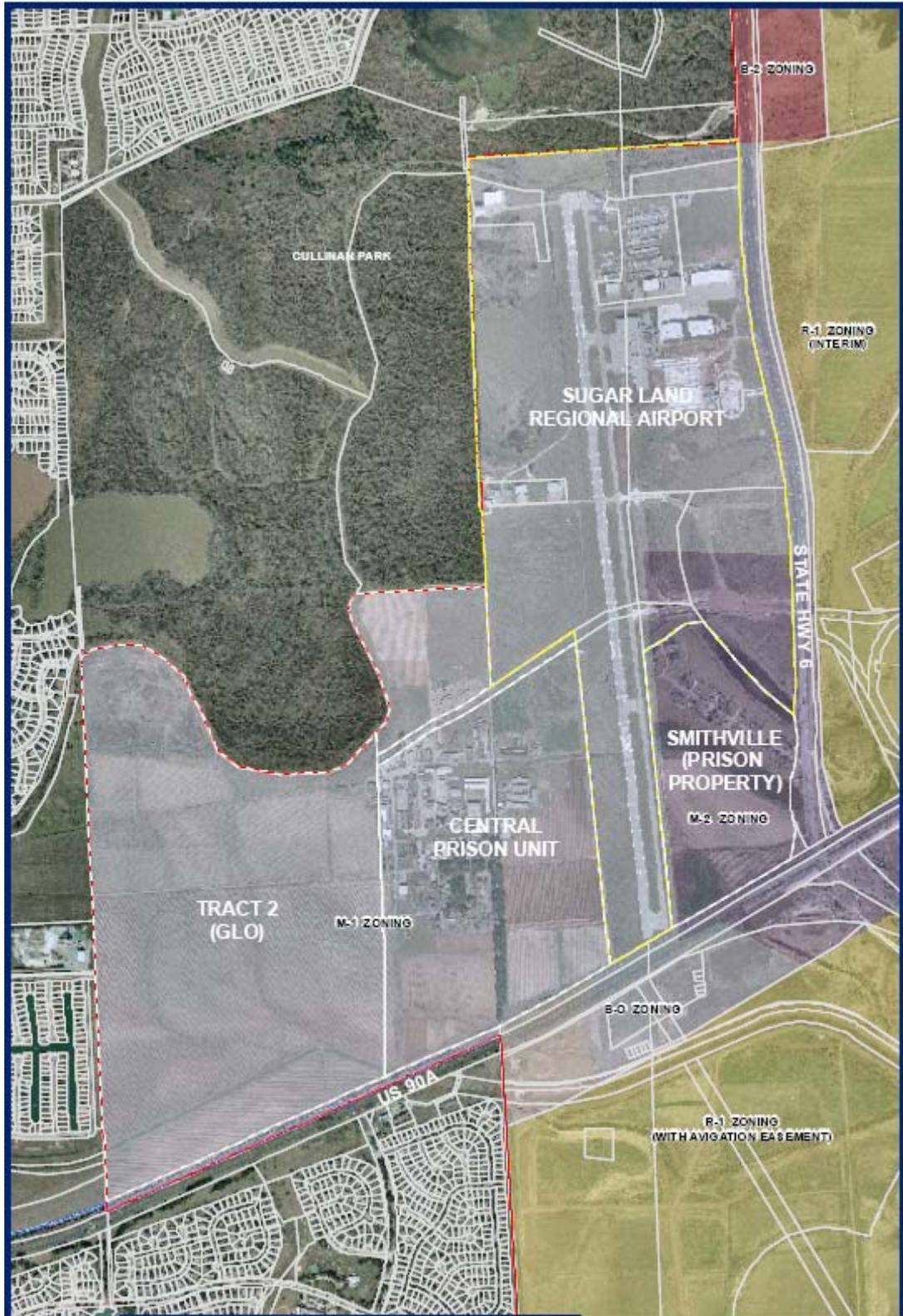
	City of Sugar Land	State of Texas
CPU Site Redevelopment & Airport Expansion	\$1,372,852	\$7,310,510
Baseline & Existing Airport	\$389,919	\$2,698,245
Net Gains in Tax Revenue	\$982,934	\$4,612,265
% Increase over Baseline	252%	171%

Source: TXP

Appendix 2 – City of Sugar Land – Land Use Inventory (2007)

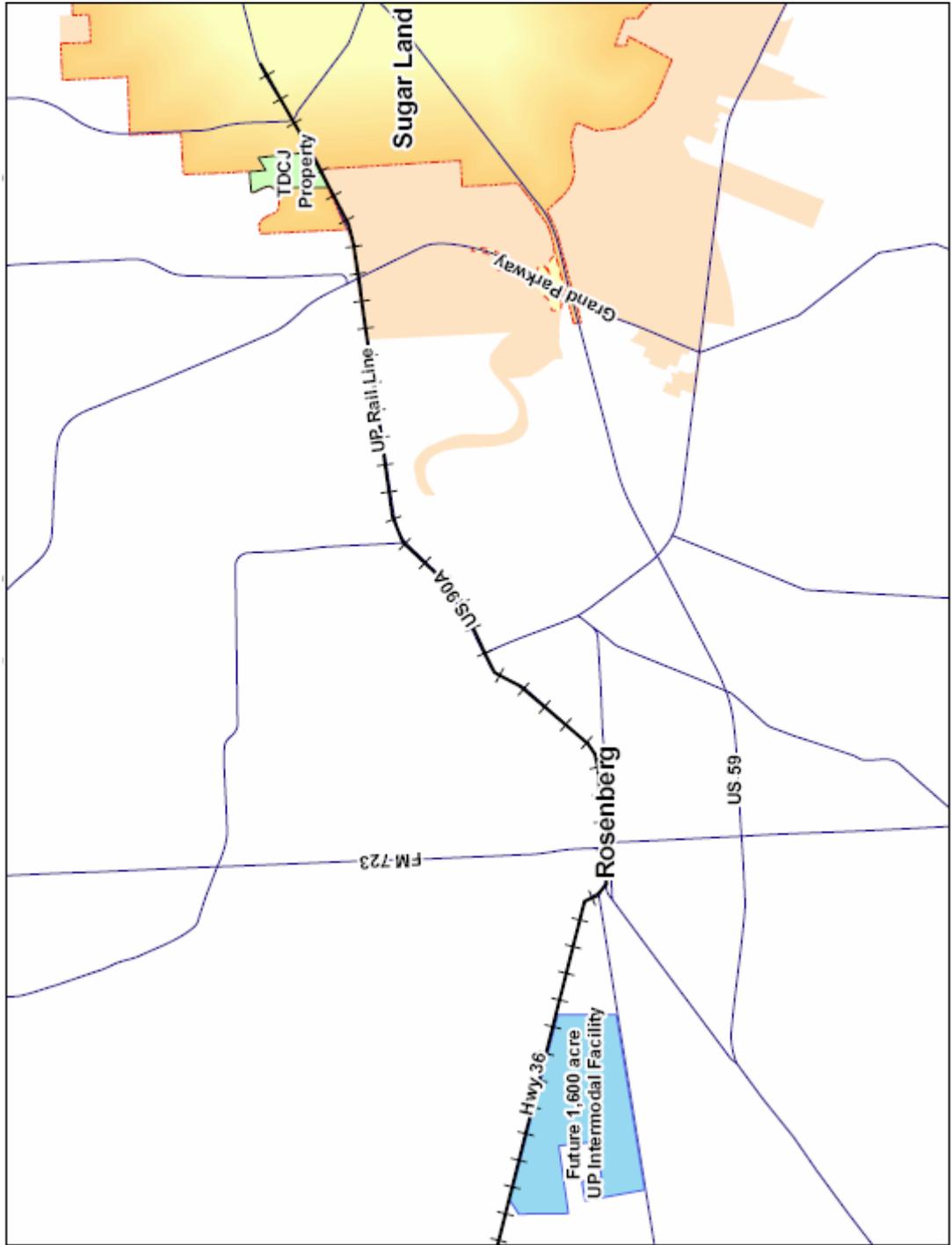


Appendix 3 – TDCJ Property and Sugar Land Regional Airport



Source: City of Sugar Land

Appendix 4 – Union Pacific Proposed Intermodal Facility



Appendix 5 – Detailed Economic Impact Tables

Table 5.1 - Annual Economic Impact of Expanded Sugar Land Regional Airport

Sector	Total Output	Total Earnings	Total Employment
Agriculture, fishing, & hunting	\$360,800	\$40,040	3
Mining	\$1,223,200	\$143,000	1
Utilities	\$3,423,200	\$411,840	4
Construction	\$1,038,400	\$251,680	6
Manufacturing	\$10,419,200	\$1,149,720	21
Wholesale trade	\$6,036,800	\$1,246,960	20
Retail trade	\$8,333,600	\$1,824,680	71
Transportation & warehousing	\$99,061,600	\$23,726,560	401
Information	\$8,298,400	\$1,452,880	23
Finance & insurance	\$9,424,800	\$1,618,760	29
Real estate, rental & leasing	\$17,670,400	\$835,120	23
Prof., scientific, & technical services	\$15,109,600	\$4,776,200	83
Management of companies	\$765,600	\$245,960	5
Administrative & waste management	\$4,822,400	\$1,287,000	52
Educational services	\$1,839,200	\$549,120	21
Health care & social assistance	\$9,011,200	\$2,825,680	69
Arts, entertainment, & recreation	\$836,000	\$228,800	12
Accommodation & food services	\$4,259,200	\$1,069,640	66
Other services	\$5,324,000	\$1,098,240	40
Total	\$207,257,600	\$44,781,880	951

Table 5.2 - Annual Economic Impact of Proposed CPU Business Park

Sector	Total Output	Total Earnings	Total Employment
Agriculture, fishing, & hunting	\$427,241	\$80,108	6
Mining	\$1,121,509	\$213,621	2
Utilities	\$4,913,277	\$894,537	11
Construction	\$1,174,914	\$440,593	12
Manufacturing	\$159,761,611	\$55,755,013	1,285
Wholesale trade	\$9,158,989	\$2,910,583	52
Retail trade	\$10,227,093	\$3,444,634	149
Transportation & warehousing	\$5,914,624	\$1,895,884	49
Information	\$5,287,113	\$1,361,832	25
Finance & insurance	\$12,443,408	\$3,297,770	65
Real estate, rental & leasing	\$20,334,024	\$1,361,832	41
Prof., scientific, & technical services	\$8,972,071	\$4,045,443	79
Management of companies	\$4,592,846	\$2,269,720	50
Administrative & waste management	\$4,552,792	\$1,855,830	82
Educational services	\$1,949,289	\$881,186	39
Health care & social assistance	\$11,882,654	\$5,727,706	155
Arts, entertainment, & recreation	\$1,054,752	\$440,593	26
Accommodation & food services	\$5,527,437	\$2,122,856	146
Other services	\$6,034,786	\$1,962,641	82
Total	\$275,330,432	\$90,962,382	2,356

Table 5.3 – Aggregate Annual Economic Impact of Redeveloped CPU Site

Sector	Total Output	Total Earnings	Total Employment
Agriculture, fishing, & hunting	\$788,041	\$120,148	9
Mining	\$2,344,709	\$356,621	3
Utilities	\$8,336,477	\$1,306,377	15
Construction	\$2,213,314	\$692,273	18
Manufacturing	\$170,180,811	\$56,904,733	1,305
Wholesale trade	\$15,195,789	\$4,157,543	72
Retail trade	\$18,560,693	\$5,269,314	220
Transportation & warehousing	\$104,976,224	\$25,622,444	450
Information	\$13,585,513	\$2,814,712	48
Finance & insurance	\$21,868,208	\$4,916,530	94
Real estate, rental & leasing	\$38,004,424	\$2,196,952	64
Prof., scientific, & technical services	\$24,081,671	\$8,821,643	162
Management of companies	\$5,358,446	\$2,515,680	55
Administrative & waste management	\$9,375,192	\$3,142,830	134
Educational services	\$3,788,489	\$1,430,306	59
Health care & social assistance	\$20,893,854	\$8,553,386	224
Arts, entertainment, & recreation	\$1,890,752	\$669,393	38
Accommodation & food services	\$9,786,637	\$3,192,496	213
Other services	\$11,358,786	\$3,060,881	122
Total	\$482,588,032	\$135,744,262	3,306



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