

## **Southeast Texas Housing Need**

The information below is compiled from the Golden Triangle Business Roundtable, Chamber of Commerce meetings, newspaper articles and meetings with community leaders and realtors.

Southeast Texas has seen modest growth from 1960 to 2006. In 1960, the population of Jefferson County was approximately 242,000. After the oil embargo and layoffs in the petrochemical industry in the 1980s, the population of Jefferson County declined to approximately 239,000 as of the 1990 census. In the year 2000, the population of Jefferson County was 252,000. It would seem that the destruction of a hurricane would negatively impact an area from growing, yet this is far from the case.

The purpose of this document is to explain the need for housing prior to, and after Hurricanes Katrina and Rita. It will also address the \$10 billion expansion boom that Southeast Texas (SETX) has started to experience and will continue to experience in the next four to six years.

### **Housing Need Prior To Hurricane Rita:**

Just as the state of Texas has a need for 1.7 million affordable housing units, SETX has a consistent need for affordable and moderate housing. Prior to the storms, growth that occurred was strongly tied to the strength of the school district and ethnic make up of a community. Outsiders moving to SETX have gravitated to the school districts of Lumberton, Nederland, Port Neches-Groves, Bridge City, Orangefield, Little Cypress-Mauriceville, and Hampshire-Fannett.

Lumberton has seen remarkable growth, yet due to traffic issues and a strong competitive market of home builders, this community is not recommended.

The cities of Nederland, Port Neches and Groves are coveted due to the quality of their school districts and the sports and family culture of their "bedroom communities". These three cities have been limited in their growth because they have been land locked.

Prior to the Hurricanes, Beaumont has seen a great deal of apartment complex expansion. As apartments were built, they were filled. Port Arthur on the other hand, saw apartment units built only with the support of tax credits.

### **Housing Need After Hurricane Rita:**

After Hurricane Katrina, the SETX region experienced almost 100% apartment capacity. Three weeks later, most Katrina evacuees fled Hurricane Rita as the storm destroyed or caused major damage to over 70,000 residential units in a 22 county region. The Beaumont Housing Authority closed their waiting list after receiving over 8,000 applications. The number of lodging units was reduced by 50%. Over 2,000 units

experienced major damage or were destroyed of the approximate 16,000 units in the region.

State insurance figures estimated that approximately 39% of the homes impacted were without insurance. After seeing the funds approved as Community Development Block Grant (CDBG) targeted for Louisiana, Mississippi and Alabama, SETX formed a coalition to secure federal funds in the 3<sup>rd</sup> and 4<sup>th</sup> Hurricane Supplemental Package. In the 3<sup>rd</sup> Hurricane Supplemental legislative package, Texas only received \$74.5 million of the \$11.5 billion of CDBG funds approved. Of the \$74.5 million, the three counties of Jefferson, Orange and Hardin were approved to receive \$26+ million for housing. These funds are beginning to flow to the region from the Texas Department of Housing and Community Affairs (TDHCA) to the Southeast Texas Regional Planning Commission (local Council of Government) and then to cities and counties in the region. The Coalition also successful worked with the State of Texas and the Texas Congressional Delegation to secure \$428 million CDBG funds for housing repair and hurricane reconstruction. It is hopefully that SETX will secure a significant portion of the CDBG funds for the State of Texas.

SETX is a targeted area being part of the Rita Go Zone. Therefore it is an attractive location for investment due to the need for housing following the aftermath of Hurricane Rita.

### **Housing Need Due To \$10+ Billion In Petrochemical Plant Expansion:**

Prior to Hurricanes Katrina and Rita, SETX anticipated a housing shortage due to the anticipated \$5 billion of petrochemical expansion. The \$5 billion of expansion increased to over \$10 billion, with a combination of three (3) Liquid Natural Gas (LNG) projects and three (3) refinery expansions. Listed below are a list of the projects and dollar amounts.

§ Cheneire LNG	\$1.0 B
§ Golden Pass LNG	\$1.0 B
§ Motiva Enterprises Refinery Expansion	\$4.5 B
§ Total Coker and Refinery Expansion	\$1.8 B
§ Valero Refinery Expansion	\$1.0 B
§ Sempra LNG	\$1.0 B
Total	\$10.3 B

In community meetings, companies and their contractors have described their projects, with project cost, timelines and staffing numbers. Listed below is a recap of this information for the three (3) announced LNG projects and the three (3) refinery expansion projects.

**Projects Announced:**

<b>Company</b>	<b>Total Cost</b>	<b>Timeline</b>	<b>Staffing Need</b>
Cheniere	\$1.0 B	2006-2008	1,000
Golden Pass	\$1.0 B	2007-2009	600
Motiva	\$4.5 B	2007-2010	4,500
Total	\$1.8 B	2007-2010	3,500
Valero	\$1.0 B	2007-2010	2,000
Sempra	\$1.0 B	2008-2010	530
<b>Total Projections</b>	<b>\$10.3 B</b>	<b>2006-2010</b>	<b>12,130</b>

The impact of the expansion projects on the housing market will be huge. To put this into perspective, the according to the Golden Triangle Business Roundtable (GTBR) Manpower Survey, the average historic staffing needs of the contract industrial and commercial workforce during the **1990s ranged from 8,000 to 11,000 workers**. Of this number, approximately **65%** of these workers were industrial maintenance and construction, with approximately **35%** being commercial construction. In the June 2006 GTBR Manpower Survey, **the contract industrial and commercial workforce was running 13,500 to 15,000**. Of these numbers, approximately **55%** were industrial maintenance and construction, with approximately **45%** being commercial construction.

Due to the nature of construction projects, various crafts are used at different times of the project. For example, civil work is performed, then structural and so on, until the instrument and electrical is performed at the end of the project. Although the average workforce numbers are needed as stated above, various crafts are needed during the project and should be able to transfer from one project to the other to meet some of the staffing needs.

It is predicted that the **industrial need** of the capital projects in SETX will be approximately 10,000 to 15,000 workers during the period of 2007 through 2010.

History has indicated that projections of initial capital project are low. In 1997, BASF and Total formed a joint venture to build a grass root Naphtha Steam Cracker (ethylene) unit. They projected that the \$1.0 billion project would employ approximately 2,000 construction workers. At the peak of construction, the project employed over 3,500

contract employees. In the year 2000, Shell, BASF and Total formed a tri-venture to build the largest Integrated C4 Olefins Complex. It was anticipated that the project would employ approximately 500 workers. At the peak of construction, the project exceeded 1,100 workers.

It is believed that the shortage of skilled labor, caused an increase in staffing to attain the same productivity needed to complete the project.

In addition, it must be noted, that there is a tremendous ripple effect of expansion that occurs in the commercial sector, residential and service sectors following the influx of capital dollars. The influx of \$3.0 billion that occurred from 1998 to 2004 with projects such as BASF FINA Petrochemicals, Sabina Petrochemicals, Premcor, and ExxonMobil (to name four) caused a great commercial expansion on the Highway 69 corridor in Port Arthur and the Dowlen Road commercial expansion in Beaumont. It is anticipated that the ripple effect will add an additional workforce need of 2,000 to 5,000 of commercial workers. This does not include the need for workers in the residential construction market, the maritime and drilling rig repair sector and the service and public sectors that results from this described "ripple effect" from capital infusion. It is anticipated that the total workforce need of just the industrial and commercial workforce will range from **27,000 – 35,500** (current usage plus future projections).

To clarify the numbers, attached below is chart demonstrating the need.

**Industrial / Commercial Staffing:**

§ Historically (1990s)	8,000 – 10,000
§ Current Industrial/Commercial	13,000 – 15,500
§ Future Projections: 2007 - 2010	
- Industrial / Commercial Current	13,000 – 15,500
- Future Industrial Projects	10,000 – 15,000
- Future Commercial Ripple Effect	2,000 - 5,000
- Residential / Maritime / Service / Public	??? - ???
<b>Total Need</b>	<b>27,000 – 35,500</b>

Many solutions are being considered at the present time. Listed below are some of the options:

- § Hurricane repair / rebuild (\$74 + \$428 million)
- § Development / New Construction
  - Single family home development
  - Multi-family development (2,000 permits for apartments have been submitted)
- § Lodging / Dorms (there are a number of hotels being constructed in the Port Arthur and Beaumont areas)
- § Temporary Solutions
  - Manufactured homes
  - RV parks

- Work camps
- § New Technology / Sustainable solutions
- § Factory built modular units

It is difficult to predict the market needs of such a tremendous influx of capital and construction workforce. One of the best predictors of future need is the past experience of construction companies. A Bechtel representative indicated that traditionally, their workforce has utilized the following:

- § 15% of workers have utilized apartments
- § 15% of workers have utilized recreational vehicles (RVs)
- § 55% of workers have utilized leased home units
- § 14% of workers have utilized other (not certain of details)

The Bechtel representative indicated that approximately 5% of the project workforce purchases homes during the construction.

It is thought that after the projects are over, there will not be a need for housing. But one of the refinery managers (major expansion project) indicated that there will be a need for approximately one third of the workers who come from outside the area on the expansion projects to remain in SETX. The reason for this is due to the aging workforce of construction workers and the doubling of refinery capacity. This will create a need to provide contract maintenance on the constructed facilities after they are brought on line.

Please refer to the Industrial / Commercial Staffing Chart above. To use the numbers of an industrial workforce low of 10,000 and a commercial workforce low 2,000 equates to a total need of a low of 12,000 workers. To contrast a potential worst case scenario, using a predicted industrial high of 15,000 and a commercial high of 5,000 equates to a total high of 20,000 workers needed. The reason these numbers are different from the previous stated projection of 12,130 (Projects Announced Chart), is due to the project timelines beginning and ending at different times. This causes a reduction in the number of workers needed because they will transfer from one project to another as phases of work is completed.

Using the guidelines experienced by Bechtel, housing needs are projected as follows:

<b>Type Housing</b>	<b>12,000 workforce</b>	<b>20,000 workforce</b>
Apartments (15%)	1,800	3,000
RVs (15%)	1,800	3,000
Home Lease (55%)	6,600	11,000
Other (14%)	?	?

## Home Ownership

During Construction (5%)	500	1,000
After Construction (33%)	3,960	

### **Other Considerations:**

Due to effects of Hurricane Rita, there is currently an open thought to the consideration of new technology and sustainable housing solutions. Composite technology and modular systems are being reviewed for cost effectiveness, durability, mold resistance and energy efficiency. Energy efficiency is becoming more relevant due to the increase in utility cost and the fact that SETX is an environmental non-attainment zone.

Other topics being discussed are as follows:

- § Make the best of the hurricane relief funds coming to SETX
- § Utilize master planning
- § Community re-vitalization
- § Begin a strategy to expand the manufacturing base of SETX to capitalize on the “boom” and continued regional growth
- § Expand the research capabilities of Lamar University for advanced materials, resins and composites
- § Turn the research into business development to create more white collar jobs and businesses development for future growth of the region
- § Improve job opportunities and quality of life venues to “Keep Our Best and Brightest” in SETX

It is believed that SETX is a great area to invest due to the current need for all types of single family properties (with particular emphasis on affordable housing), apartments, patio homes, senior living and university living.

**Qualifications:**

**Mark E. Viator**

**Golden Triangle Business Roundtable**

**Chairman - Housing Initiative**

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§ **Petrochemical industry** – 29 years (19 years in Human Resources and staffing)

§ **Golden Triangle Business Roundtable**

- Conducted and wrote the original manpower survey from 1991 to 1996.
- Survey included industrial maintenance and construction as well as commercial construction.
- Served on the Executive Committee from 1991 until now.
- Currently serve as the Chairman of the Government Affairs Committee
- Co-Chairman of the Workforce / Housing Initiative for the \$10 billion capital expansion projects. (Chairman of the Housing Initiative)

§ **BASF Corporation**

- \$1 billion - BASF FINA Petrochemicals Naphtha Steam Cracker
- \$300 million - Sabina Petrochemicals Integrated C4 Complex
  - § Coordinated project staffing headcount numbers for Jefferson County and the City of Port Arthur Tax Abatement policy requirements to hire local labor.
  - § Served as the government affairs representative and lobbyist to local and state senators, representatives and regulatory agencies on behalf of the business needs of BASF for the SETX region.
  - § Served as the BASF's government affairs representative to the Texas Chemical Council's Advocacy Committee and coordinate state legislative positions with the Washington Government Relations office and other Texas sites. Represented the Port Arthur and Beaumont Texas Sites as the government affairs representative to the Golden Triangle Business Roundtable, Texas Association of Business (TAB) and chamber of commerce government affairs committees.
  - § Identified and communicated state and local emerging issues (legislative, tax, environmental, etc.) that had a material or potential impact to the company. Developed recommendations and action plans to address emerging issues.
  - § Worked with BASF Corporate Communications and joint venture partners to develop and maintain a strategic public affairs program.
  - § Selected as spokesperson with external audiences including the news media, key opinion leaders and interest groups on matters affecting the business operations and environmental projects and programs.
  - § Responsible for the staffing of the BASF FINA Petrochemicals Naphtha Steam Cracker facility (220 employees).

§ **Chairman, Recovery Coalition of Southeast Texas**

- § Developed the Hurricane Rita Recovery Plan and led the building of a regional coalition to secure federal and state hurricane appropriations relief for impacted housing, small business and social service agencies for the 22 Texas counties impacted by Hurricane Rita. The coalition worked in conjunction with Sen. Hutchison, Sen. Cornyn, Congressmen Brady and Poe, Governor Perry and Railroad Commissioner Michael Williams to secure hurricane relief funds for Texas.
- § Secured the consultant contracts and funding sources to hire Bracewell & Giuliani as well as the Ben Barnes Group. Together with consultants, developed a strategy that has secured over \$502.5 million of Community Development Block Grant (CDBG) and \$88 million in Health and Human Services funds for the state of Texas. Secured 100% FEMA reimbursement (worth \$300 million) and \$235 million for Hurricane Katrina evacuee education cost for the State of Texas.
- § Developed an organization of subcommittees to address the four recovery areas of 1) housing 2) small business and economic development 3) social services and special needs and 4) workforce development.
- § Secured national attention for Hurricane Rita efforts by facilitating hurricane relief stories through the New York Times, Washington Post, Los Angeles Times, Fort Worth Star Telegram, Texas Monthly, NBC Nightly News and other sources.
- § Led the team to address the pressing issues of housing, workforce development and economic recovery for the Southeast Texas region by working with local industry, chambers of commerce and elected officials from regional cities and counties.
- § Seeking to secure CDBG funds for the counties of SETX and a \$6 - \$10 million set aside for the community of Sabine Pass for housing repair and reconstruction.

§ **Chairman Elect – Greater Port Arthur Chamber of Commerce**

- § Knowledge of the \$10 billion in capital expansion in Port Arthur, workforce and housing needs of contractors working on the expansion projects.
- § Project manager for the Sabine Pass Rebuilding Initiative under the direction of Port Arthur for Positive Action (PAPA).

§ **Vice-Chairman – Greater Beaumont Chamber of Commerce**

- § Serving as one of five from the Beaumont Chamber of Commerce on the sub-committee with African American leaders appointed by Beaumont Independent School District. The sub-committee is seeking to develop a collaborative relationship to successfully pass a needed bond for BISD building repair and construction.
- § Beaumont Independent School District – Bond Committee – charged with evaluating and recommending a needed bond initiative for BISD.