

EXECUTIVE SUMMARY

Wichita Falls, Texas, is an especially attractive location for Project Offices, especially for aerospace, information technology, health care, and government entities.

This has been documented by BFPC, LLC, a leading site selection and location strategy consulting firm. BFPC recently completed an in-depth investigation of the Wichita Falls economy. One key purpose of the study was to identify industries and business operations that can benefit from the unique business advantages of Wichita Falls. BFPC identified Project Offices, typically comprising 25-100 workers, performing engineering, research and development, hardware and software testing and validation, and a wide range of problem solving activities (NAICS Code 541712).

Project Offices for aerospace companies are expanding as a way of managing specific projects and functions in a lean, gazelle-like, largely independent manner and are primed for operation in Wichita Falls. Project Offices would also be attractive to other industries that have an established presence in Wichita Falls including information technology, health care, and government entities. The 2016 opening of a GuideIT health care services office downtown is one example of the suitability of locating similar operations in Wichita Falls, which proudly calls itself, “The City That Faith Built.”

Project Offices were selected for their particular ability to take advantage of business and living conditions in Wichita Falls. Reasons for selecting this business as a target include the following Wichita Falls assets:

- Selected business costs of **almost 18% below typical or average costs for Class A or B Project Office at select locations in Texas**. Estimated costs for leasing to establish and operate a Project Office in Wichita Falls are over **\$1.6 million** less than these rates.
- A location in the midst of **one of the world’s largest concentrations of aerospace design, assembly, testing, and operations**. Texas is tied with California for having the nation’s most large aircraft manufacturing plants (those employing 100 or more — 11 each); with the addition of nearby Oklahoma and Kansas, this number doubles. Major airline maintenance bases are within a few hours’ drive. Clearly there is large regional opportunity for aerospace Project Offices.
- **Well established aerospace industrial environment**. Wichita Falls has a large existing base of aerospace and related activity. Wichita Falls has proven this industry can succeed here. Aerospace and aviation has been an anchor industry in Wichita Falls since the development of what is now Sheppard Air Force Base in 1941. With more than 10,000 employees at any one time, Sheppard AFB is by far the city’s largest employer.

- **Above-average availability of high-caliber, aerospace expertise** drawn from a wide area of North Texas and Southern Oklahoma including professional technical personnel from the Dallas/Fort Worth area.
- **Proven support for office operations.** Wichita Falls has hosted medium-size, white-collar service sector firms over the years. It offers a wide range of support needed by such facilities, from business services to the fully accredited, highly respected MBA and other professional education at Midwestern State University.
- **Strong support for economic development and diversification.** Community and business leaders have an exceptional record of consensus-based decision making that has led to a string of recent business attraction successes, including in downtown Wichita Falls.
- **Low tax burden and highly ranked positive business climate in Texas.** The absence of state income taxes and other favorable features lead to a total corporate tax burden. The City of Wichita Falls is known for its responsiveness to employers on code compliance and minimizing regulatory impact on businesses.
- **Excellent transportation on one of the busiest trade corridors** in the South Central US. Interstate and four-lane Federal highways, and regional air service give businesses and residents many transportation options for commerce and travel.
- **Cost-of-living advantages and lifestyle** that support recruitment, transfer, and maintenance of staff. Health care, retail trade, dining, entertainment and year-round cultural activities are more abundant than in typical medium-size metropolitan areas. Many favor living in the affordable urban environment of Wichita Falls, with an occasional weekend spent in Dallas/Fort Worth.

More data about Wichita Falls
and the region's advantages for your company are available from the

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INTRODUCTION

The leadership of Wichita Falls is committed to expanding and enhancing the regional economy. As part of that goal, the Wichita Falls Chamber of Commerce & Industry has begun a campaign to market this area as a location for aerospace businesses and industries that can profit from its appealing features.

Consistent with Texas's role as one of the top states for aerospace and location for ongoing growth, Wichita Falls shows great promise to expand its already prominent local aerospace presence. Nearly 4% of its workforce is engaged in these sectors, more than twice the national average. A Project Office for aerospace would not be a pioneer in Wichita Falls!

BFPC, LLC, a major international site selection and location consulting firm, has been retained to provide professional counsel to this program. It was charged to identify aerospace business activities that are a particularly good fit with the locational attributes of Wichita Falls, and that can benefit by establishing a Project Office in the community.

The study concluded that Wichita Falls is an especially appropriate and attractive location for aerospace Project Offices. The city, especially where an ample amount of office space is available downtown, could provide a desirable urban setting for Project Offices serving other industries as well including information technology, health care, and government.

This report provides details and points out the strong business case why companies considering opening a Project Office in these industries should consider Wichita Falls.

OVERVIEW OF WICHITA FALLS

Community Description

Wichita Falls—the largest city along the north central Texas border with Oklahoma—is a regional hub for employment, education, health care, and trade. Located less than 90 minutes from the Dallas-Fort Worth Metroplex, it has easy access to DFW Airport and other metropolitan services.

But at the same time, it is a well-rounded smaller metro area with its own individual character and a size and scale that many people like. The Wichita Falls MSA population is 150,780, according to the 2015 US Census estimate, making it 19th-largest in Texas. It has its own state university, commercial airport, comprehensive, health care network, and other desirable features. If people want access to the attributes of a 6.5-million population metro area, but the advantages of living in a well-managed, medium-sized city, Wichita Falls combines the best of both.

Today the city of Wichita Falls is the economic hub of a 60-mile radius trade area of North Texas and South Central Oklahoma, populated by an estimated 380,000 people. Of that population, an estimated 240,000 are currently in the workforce, and look to Wichita Falls for their employment, shopping, entertainment, educational, cultural and healthcare needs.

Its **cost of living index is 19.4% lower** than the national average, according to the Third Quarter 2016 report of the Council for Community and Economic Research. This COLI of 81.6 places Wichita Falls among the Top 10 low-cost living areas in the US (100 = national average). The COLI for Dallas is 103.2; and for Fort Worth 101.7—both more than 20 percentage points higher than Wichita Falls.

The City of Wichita Falls is located in the Red River Valley in the cross-timbers area of the gently rolling plains of north-central Texas. The area's climate is classified as continental, a generally mild four-season environment. Normal rainfall for the year is nearly 29 inches.

Wichita Falls is located at the western terminus of Interstate 44, a major highway linking the city to Oklahoma City (about two hours), Tulsa and St. Louis. The community is readily accessible to many other Texas and Oklahoma destinations in all directions via an excellent network of Interstate and US Highways, most of which are four-lane with a speed limit of 70 MPH or more.

Two airports serve Wichita Falls. Wichita Falls Regional Airport shares facilities with Sheppard Air Force Base, whose runways (up to 13,100 feet) will accommodate virtually anything flying. The city recently completed a \$32 million terminal that hosts American Eagle Regional Jet flights to DFW. The city also owns Kickapoo Airport, a general aviation field located in southeastern Wichita Falls that provides fixed base operations and training facilities for both rotary and fixed-wing aircraft. Sheppard AFB provides pilot training for Army, Navy, Marine and Air Force personnel for the US and many foreign allies, as well as delivering aircraft maintenance, civil engineering, bio-medical equipment maintenance, dental technician, combat medicine and communications training. Its presence for 75 years is a key reason for the Wichita Falls reputation as a center for aerospace and aviation history.

Economic Development Trends

Founded in 1876, Wichita Falls was named for a local Native American tribe and the low-water, river waterfalls that existed there until 1886, when they were washed away by a flood. Upon the arrival of the Fort Worth and Denver City Railroad in 1882, it became a cattle center. With the discovery of oil and gas fields in the 1900s, the city developed extensive petroleum industries as well as a large network of supporting businesses such as the manufacture of heavy-duty Wichita Trucks. By 1940, 40% of the state's petroleum production came from Wichita County.

Railroading, agriculture, ranching, oil, and manufacturing led to a boom-town atmosphere in the 1920s. Prosperity was evident in its commercial buildings, beautiful residential areas, and impressive cultural features. It was in 1921 that the city of Wichita Falls began to call itself, "The City That Faith Built." People had "faith" in the city to build big and have big dreams, according to the 1920s Chamber of Commerce promotions. The slogan has survived the city's economic ups and downs and is recalled even today.

In 1917 aviation first came to Wichita Falls in a big way when construction began on Call Field, a pilot training camp. What is now Sheppard Air Force Base started just before World War II; by 1945 it had 46,650 military personnel and was the largest concentration of air troops in the world.

Wichita Falls had over 100 manufacturing companies in the 1950s, earning enviable recognition as a "Factory City." Agriculture (cotton, grains, and cattle), based on the surrounding irrigated region, was an important part of the economy. The economy continued on a strong track until the 1985 downturn in domestic oil production. Such recent economic challenges have spurred a renewed economic development effort of which this program is a part.

Since the early 1990s health care services in Wichita Falls have expanded at a pace that exceeds all other industry sectors. United Regional Health Care System offers state-of-the-art technologies and facilities and a broad spectrum of health care services normally associated with larger metro centers. The 370-bed hospital employs 1,600 including 379 physicians and medical staff.

Numerous other medical facilities sustain the medical demands of the trade area, as well as provide support services to United Regional. Kell West Regional Hospital, the Clinics of North Texas, the Wichita Falls Endoscopy Center and the Texoma Cancer Center offer world-class medical services.

Wichita Falls's educational institutions are recognized as major economic drivers. Wichita Falls has strong educational institutions (Midwestern State University, Vernon College, and the Wichita Falls Independent School District). MSU attracts students from throughout Texas, especially Dallas/Fort Worth. MSU's well-respected MBA and engineering programs are growing in response to their increasing attractiveness to local employers. More than 84% of the MSA population has at least a high school diploma or equivalent, and more than 50% has some college education. Employers recognize the strong work ethic, trainability and capabilities of the regional workforce.

The community's economic profile is favorable for business relative to the US as well as to Texas, whose business climate is among the best nationally. Texas has a low tax burden and ranks high in assessments by **Site Selection** and **Forbes** magazines and the Tax Foundation. Wichita Falls is highly competitive for staffing and other capital and operating expenses. On the ledger's profit side, Wichita Falls is located within one of the most rapidly growing parts of the US, not to mention relative proximity to Mexico.

Public Policy Support of Economic Development

A noteworthy local characteristic found in the BFPC Study as well as previous investigations is the virtually universal support of economic development. The importance of this cause was expressed by interviewees and in meetings of diverse groups and members of the Wichita Falls community.

This has translated into favorable public policies. Existing businesses have few concerns about permitting and regulatory matters, taxes and other government or public involvement at either local or state level. Over the years, Wichita Falls has shown remarkably consistent community support for economic growth. Entities involved in economic development process work cooperatively and achieve consensus for decisive action, an unusually positive ability for a community of this size.

Texas ranks very high in the world for manufacturing of aircraft and aerospace components and parts; maintenance and upgrading; air transport; and research, training, and education. Its investment and employment in aerospace has held steady through challenging economic conditions. About 30% of its industry is related to or supported by aerospace so this business has the attention of Texas' leadership.

Nearly 4% of the Wichita Falls workforce is engaged in aerospace or related sectors—more than twice the national average. Wichita Falls offers business the potential for a moderate cost profile relative to typical capital and operating costs and enhanced performance and productivity metrics for many aerospace activities.

ADVANTAGES OF WICHITA FALLS AS A LOCATION FOR AEROSPACE PROJECT OFFICES

Wichita Falls comprises a particularly attractive location for facilities that can serve as Project Offices for aerospace companies, especially those seeking lower cost operations in an urban setting that promotes creative thinking in open work spaces. This section begins with a review of business conditions and trends for Project Offices. It then points out how Wichita Falls is especially well suited for Project Offices to serve the unique needs and objectives of aerospace companies, and other industries with an already established presence in Wichita Falls.

Overview of Project Office Business Conditions and Trends

The role of the Project Office in aerospace and other industries continues to evolve. As organizations mature their project, program, and portfolio management practices align more closely with strategic goals, support effective stakeholder communication and collaboration, develop talent, and focus on realizing value from organizational investments.

The Project Office has many potential roles to play as a contributor to advancing these important topics. No two Project Offices are alike; the role of the Project Office is expanding in many organizations. There is a strong desire to expand the Project Office role to be much more strategically focused through expanded scope of responsibility and partnering with business leaders to advance important organizational objectives. This evolution is an opportunity for mid-size communities such as Wichita Falls to provide ample, competitively priced downtown office and flex space in a walkable environment.

Project (Management) Offices (PMOs) can be organized into five “frameworks,” according to a recent Project Management Institute report. In *PMI’s Pulse of the Profession: PMO Frameworks, November 2013*, the five frameworks are:

- **Organizational Unit. Business Unit. Divisional. or Departmental PMO.** Provides project-related services to support a business unit or division within an organization including, but not limited to, portfolio management, governance, operational project support and human resources utilization.
- **Project-Specific PMO. Project Office. Program Office.** Provides project-related services as a temporary entity established to support a specific project or program. May include supporting data management, coordination of governance and reporting, and administrative activities to support the project or program team.
- **Project Support. Services. or Controls Office or PMO.** Provides enabling processes to support management of project, program or portfolio work throughout the organization. Uses the governance, processes, practices, and tools established by the organization and

provides administrative support for delivery of the project, program or portfolio work within its domain.

- **Enterprise or Organization-Wide. Strategic. Corporate Portfolio. Global PMO.** The highest-level PMO, in organizations having one, aligns project and program work with corporate strategy, establishes and ensures appropriate enterprise governance, and performs portfolio management functions to ensure strategy alignment and realize benefits.
- **Center of Excellence. Center of Competency.** Supports project work by equipping the organization with methodologies, standards and tools to enable project managers to better deliver projects. Increases the capability of the organization through good practices and a central point of contact for project managers.

Project Offices are a widespread and effective approach by many aerospace and other leading-edge corporations to conduct research, development and prototyping of new products and systems. They can support a lean, efficient, focused effort to address specific problems with creative solutions that are unencumbered by distractions of a large, perhaps bureaucratic office environment. Project Offices in and around Huntsville, Alabama, home of NASA's Marshall Space Flight Center and Cape Canaveral are examples in the aerospace industry. Silicon Valley and Boston represent other notable concentrations of federal and academic aerospace and other commercial Project Office activities.

Many aerospace design and manufacturing companies are rapidly decentralizing. Traditional aerospace manufacturing centers, such as Seattle and Dallas, are outsourcing for regional and branch offices, spin-offs, and operations. These companies are looking for locations that appeal to their employees, a growing number of whom are millennials. More than one in three US workers today are millennials, according to recent analysis of the Pew Research Center of US Census data. Millennials recently surpassed Generation X to become the largest share of the US workforce. By 2025, millennials will make up as much as 25 percent of the workforce.

To respond to this opportunity, Wichita Falls is promoting creative re-use of the large amount of space available in existing buildings in its downtown. These spaces remain attractive and still have the potential to be effective. Millennials are increasingly attracted to downtown areas that were bustling back in the 1940s and '50s, when downtown was the place to go to shop and eat. Wichita Falls's "Downtown Proud" campaign aims to harken back to the days when downtown was the place to be. For example, in fall 2016 owners announced the opening in early 2017 of a new downtown pub as part of the area's revitalization efforts. Other downtown retail additions include a microbrewery, brick oven pizza, grocery store and old-time soda fountain. New residential spaces in historic hotels and other buildings are in development.

The attractiveness of Wichita Falls for Project Offices led a Dallas-based firm, GuideIT, to establish a specialized branch office in downtown Wichita Falls in 2016. It is expected to employ up to 100 engaged in technical support of health care. Health care, like the aerospace industry, has a higher-than-average presence in Wichita Falls. GuideIT officials said one reason it chose Wichita Falls was the capabilities of Midwestern State University, a fast-growing regional educational institution that provides technically qualified graduates. Many of these graduates grow fond of Wichita Falls during their schooling and prefer to remain instead of migrating to larger cities.

Why Locate an Aerospace Project Office in Wichita Falls?

Wichita Falls is particularly well suited as a location for aerospace Project Offices. Wichita Falls is a logical lower-cost location for many standalone operations. BFPC has summarized its key locational advantages into the following six categories:

1. Favorable Economics. A Project Office in Wichita Falls can possibly save nearly 18% in operating costs relative to the state average. It would be one of the lowest-cost, and yet suitable locations within Texas. This asset is so compelling that it deserves more detail, which is provided in the following chapter.

2. Huge Local/Regional Presence of Aerospace Business Operations.

Wichita Falls enjoys a location in the midst of one of the world's largest concentrations of businesses in aerospace design, assembly, testing, and maintenance/repair/overhaul (MRO). Texas ties with California for having the nation's most large aircraft manufacturing plants (those employing 100 or more—11 each); but with the addition of nearby Oklahoma and Kansas, this number doubles.

Texas is second in the US to only Florida in the number of US facilities in the industry sector that includes aftermarket maintenance and testing of aircraft. With the addition of Oklahoma and Kansas, the region has the nation's largest number of such facilities.

The air transport industry is also a huge. American Airlines, headquartered in Fort Worth, has major maintenance facilities at Alliance Airport and in Tulsa. Southwest Airlines is headquartered in and has a large maintenance base in Dallas.

Wichita Falls has been the home of Sheppard AFB and its approximately 10,000 aerospace-related employees for 75 years. Yet the city has more than 70 private-sector businesses in 11 sectors engaged completely or partially in aerospace-related fields of work. The community's century of aviation activity, the presence of MSU engineering programs, an ample supply of low-cost office space, and a geographic location close to substantial aerospace business in Dallas/Fort Worth shows great promise for new aerospace investment in Wichita Falls.

3. Above Average Availability of Skilled Aerospace Workforce. Wichita Falls has an above-average percentage of employees in aerospace and related jobs, employing nearly 4% of the total workforce. This is more than twice the percentage of similar jobs on the national level and does not include uniform military personnel at Sheppard AFB, the city's largest employer.

Engineering and other academic programs at Midwestern State University and specialized skills training at Vernon College are leading to rising aerospace employment. The workforce's frontier spirit and take-charge attitude are highly valuable assets to employers in aerospace and other industries.

4. Proven Support for Office Operations. There is an abundance of office and flex space available in downtown Wichita Falls. Class A and B office space is available in older buildings that remain attractive. Other buildings, some of which served other than offices uses, have the potential to be effectively re-used in traditional or open office configurations. The urban setting of downtown Wichita Falls is consistent with the denser, walkable environment that has become desirable for many millennial workers. It allows people to live closer to workplaces, retail services and entertainment and cultural centers. It provides companies a location accessible to major metropolitan hubs, such as Dallas, at more than half the cost.

5. Public Policies. Texas believes that one of the characteristics most attractive to business is to maintain a fiscally sound public sector that does a good job on the essentials of government and then gives businesses as much freedom as possible. Wichita Falls takes this a step further with remarkably effective cooperation among its many public and non-governmental entities involved in the economic development process. The recent decisions by American Fuel Cell and Coated Fabrics Company (Amfuel) and GuideIT, a healthcare technology solution provider, to locate their new facilities in Wichita Falls are tangible proof of this unified effort.

Amfuel, which makes fuel tanks for helicopters and fixed-wing aircraft, selected Wichita Falls because of the favorable business climate in Texas, reasonable wages, and a workable regulatory environment. GuideIT, which is already located in Plano, Texas, near Dallas, wanted a location three to four hours from its Texas headquarters. The Perot company located in the Central Business District of Wichita Falls in a high-rise at about half the price of North Dallas real estate.

6. Cost-of-Living and Lifestyle Benefits. Wichita Falls has been an important business and industrial center for many decades. It has a reputation for comfortable and favorable lifestyle qualities with a lower cost of living than comparable mid-size cities. Health care, retail trade, dining, entertainment and year-round cultural activities are abundant. Many favor living in the affordable urban environment of Wichita Falls, with an occasional weekend spent in Dallas/Fort Worth.

COST SAVING OPPORTUNITIES

Wichita Falls offers companies establishing a Project Office a potential reduction of nearly 18% in operating costs, compared with state average costs for the four leading Texas markets for office space: Austin, Dallas, Houston, and San Antonio. This section illustrates some of those potentials.

It estimates certain costs for a leased facility for a hypothetical Project Office in Wichita Falls of between 25-100 employees. For illustration, this hypothetical Project Office consists of 60 mostly professional level employees. Given that each employee would require 150 square feet of office space and including common areas, a total of 13,300 square foot office space, as estimated by **squarefoot.com**.

Office Space. On a national average basis, it could cost more than \$24 per square foot to lease space for a Project Office. This is based on the most recently publicly available rate of \$23.23 in 2013 by REIS, a commercial real estate information company often cited by national media. Assuming annual rate increases of 2% for the next three years, the current national average lease rate would be \$24.64 per square foot. Annual lease costs for 13,300 square feet of Class A or B office space would thus be \$327,712.

BFPC estimates that the average, full-service rate for available Class A office space in Wichita Falls is \$12 per square foot per year. Consequently, a cost of \$159,600 is assumed to lease the hypothetical Project Office here. This would be a savings in lease costs of \$168,112, or more than 48%.

BFPC proposes a potentially more likely scenario could be for a major Texas or Oklahoma based aerospace operation to seek a Project Office location within easy access to its headquarters. For this comparison, BFPC chose to use the Q4 2016 lease rates publicly available from Jones Lang LaSalle, which specializes in commercial real estate services and investment management. The four regional office centers likely to consider Wichita Falls, and tracked by JLL, are Austin, Dallas, Houston, and San Antonio. The average lease rate for these four metros would be \$28.62, slightly higher than our pro-rated national average. For a 13,300 square-foot space, total annual lease cost would be \$380,646.

This would be a saving in lease costs of \$221,046, or more than 57%.

Personnel. The state average for employees in a typical aerospace Project Office is estimated from various public and private sources to be \$110,900. Based on similar data sources as well as BFPC's interviews in Wichita Falls, it is estimated that a similar pool of employees could be hired in Wichita Falls for an average of \$90,900. On this basis, annual direct wage costs for 60 employees in Wichita Falls would be \$5,454,000, while the state average would be \$6,654,000 or \$1.2 million more.

Benefits and other payments the employer makes are estimated to cost an additional 34% in both local and state cases. Therefore the total annual personnel cost in the hypothetical

Wichita Falls Project Office would be \$7,581,060 while the state average Project Office would be \$9,049,440.

On this basis, **an aerospace Project Office located in Wichita Falls could save its owner over \$1.4 million per year in personnel-related costs.**

Summary of Cost Items. Selected capital and operating costs associated with an aerospace Project Office are summarized below:

<u>Category</u>	<u>Specific Cost Item</u>	<u>Wichita Falls</u>	<u>TX Average/ Typical</u>
Office Space	Lease Cost/square foot/year	\$12.00	\$28.62
	Size of Office Space in Square Feet	13,300	13,300
	Annual Lease Cost	\$159,600	\$380,646
Staffing	Annual Direct Pay	\$90,900	\$110,900
	Benefits/Required Government Payments	\$35,451	\$39,924
	Total Compensation Cost	\$126,351	\$X150,824
	Number of Employees	60	60
	Total Staffing Costs	\$7,581,060	\$9,049,440
TOTAL OF ABOVE ITEMS		\$7,740,660	\$9,430,086
Difference	Annual Savings in Wichita Falls	\$1,689,426	
Index	82%		

Thus the total of these costs in Wichita Falls is 18% below the Texas or typical average for a comparable facility = savings of over \$1.6 million.

These costs are highly generalized estimates for a hypothetical aerospace Project Office. Most base data are derived from figures developed by the US Commerce Department and other governmental agencies, industry organizations, and BFPC's field studies in Wichita Falls along with its experience with clients in this business.

The overall finding is very compelling. **Wichita Falls show great promise as a location for aerospace Project Offices, based on a wide range of cost and other advantages.**