

## III. BACKGROUND

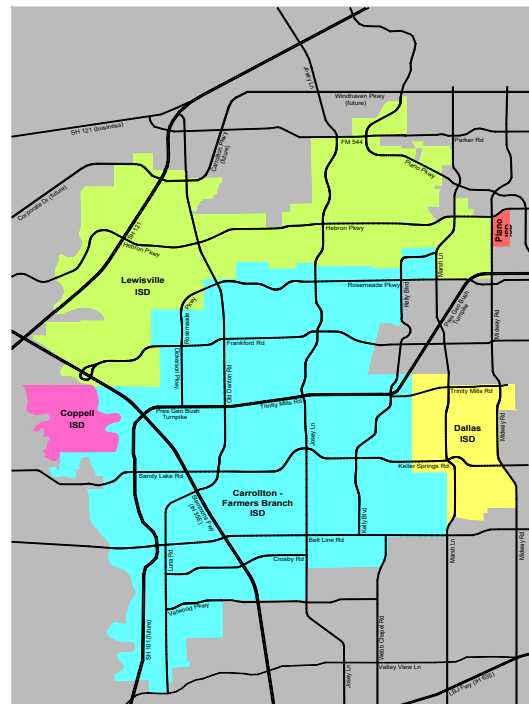
### REGIONAL SETTING

Carrollton currently encompasses approximately 37 square miles and is located in northwest Dallas County, southeast Denton County, and southwest Collin County, with approximately 55% of the City's population living in Denton County in 2002. The City is located approximately 1.5 miles north of the Dallas City limits and approximately 14 miles from downtown Dallas.

The City is located in four independent school districts: Carrollton-Farmers Branch, Coppell, Lewisville, and Dallas.

The City contains many jobs, especially in the Valwood Industrial Park west of IH-35E. There are approximately 71,545 jobs within a three-mile radius of Belt Line Road and IH-35E. In addition, Carrollton is accessible to the region via four major highways - IH-35E, PGBT, IH-635, and SH-121.

FIGURE 3: SCHOOL DISTRICTS IN CARROLLTON



Carrollton is approximately eight miles east of DFW Airport, which is served by most major domestic and many international carriers. Regional and commuter airline service is available from Love Field, located approximately 11.5 miles southeast of the City. In addition, general aviation service is available from Addison Airport, located immediately east of the Carrollton-Addison border.

The City is served by DART, which provides local and commuter bus service throughout the Dallas area. In 2010, DART will connect Carrollton to the Dallas region with light rail transit service.

The City is within a reasonable commuting distance from the region's largest employment centers.

It is about 14 miles northwest of **downtown Dallas**, the region's largest employment center with approximately 264,000 employees within a three-mile radius. This area includes the University of Texas Health Science Center and Southwestern Medical Center, Dallas Market Center and the "Uptown" area. In addition, downtown Dallas has the headquarters for major financial institutions and corporations and is the seat of government for the City of Dallas and Dallas County.

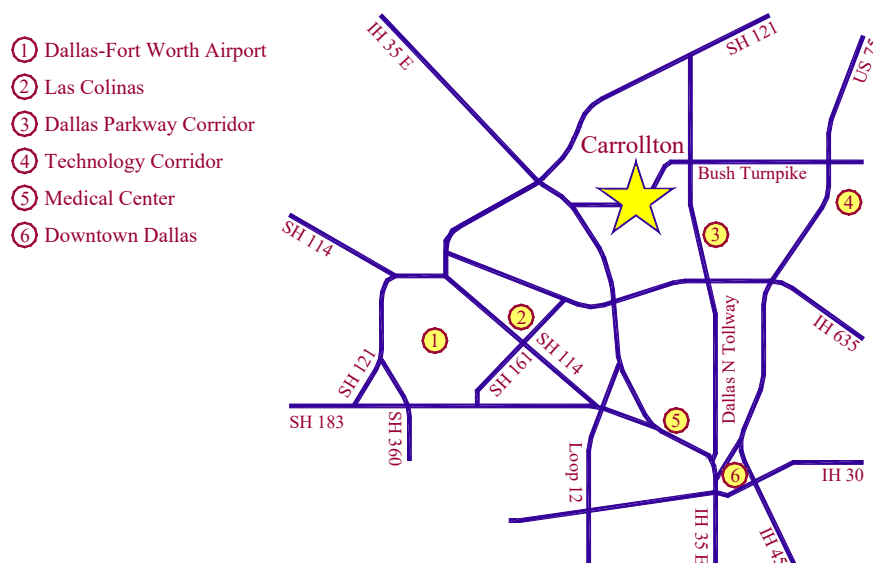
Carrollton is immediately west of the **Dallas North Tollway Corridor** area. Within a three-mile radius of Arapaho Road and the Dallas North Tollway (roughly the geographic center of the area), there are approximately 185,700 employees. This is the second largest office employment center in the region.

The City is about eight miles west of the **Telecom Corridor**. Within a three-mile radius of PGBT and US-75, there are approximately 102,000 jobs. This area includes technology centers in Richardson and Plano (e.g., Galatyn Park and Research Technology Center) as well as Collin Creek Mall. It has experienced rapid growth over the past 10 years.

Carrollton is eight miles northeast of the **Las Colinas Urban Center** in Irving. Las Colinas is another major employment center, with regional and national headquarters of several major corporations. Las Colinas, a master-planned development, employs about 96,800 people within a three-mile radius of SH-114 and MacArthur Boulevard, including office, retail, hotel and light industrial jobs.

Carrollton is about eight miles northeast of the **Dallas-Fort Worth International Airport**. According to the Staubach Company, this growing area includes a population of 26,000 within three miles of IH-635 and Royal Lane. This area includes DFW Airport and commercial development around its northern entrance.

FIGURE 4: AREA EMPLOYMENT CENTERS



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## LOCAL TRENDS

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Carrollton is characterized as an "inner-ring" suburb because recent development growth has continued to move north and east of the City, into communities like Lewisville, The Colony, Frisco, and McKinney. Inner-ring suburbs were the first suburban neighborhoods beyond the original central City and today are facing increasing competition from not only development further out "on the fringe" but also from revitalizing downtowns. As "in between" communities, they are now experiencing rapid declines in market share. Given this trend, the City's future growth will be focused more on redevelopment and revitalization than on new development.

### Economic and Demographic Characteristics

Economic and demographic characteristics in the market are indicators of overall trends and economic health that may affect future development and redevelopment efforts. Economic and demographic indicators were, therefore, analyzed for the City as compared to the larger metropolitan area.

#### POPULATION AND HOUSEHOLD GROWTH

The City of Carrollton population increased at a compound average annual rate of 2.9% between 1990 and 2000. In comparison, the metropolitan area population grew at a slightly lower 2.6% rate. This trend is expected to reverse over the next ten years, as the City population is expected to grow at a compound average annual rate of 0.7%, compared to a 1.5% growth rate for the metropolitan area.

Household growth in the City and metropolitan area closely mirrors population trends, both in terms of historical and projected growth. Average household sizes in the City are higher than those for the metropolitan area, indicating a higher concentration of families within the City. This relationship is typical in inner-ring suburbs, which developed as bedroom communities for the metropolitan area's central employment centers.



These population and household growth patterns, as well as a long-term decline in average household sizes in both the City and metropolitan area, are indicative of national trends toward smaller families, aging populations, and the movement of the "baby boom" generation into retirement.

TABLE 1  
**POPULATION AND HOUSEHOLD GROWTH**  
 1990 TO 2025

	<u>City of Carrollton</u>	<u>Dallas-Fort Worth Metropolitan Area</u>
<i>Population:</i>		
1990	82,169	3,885,415
2000	109,576	5,030,828
2002	112,700	5,277,750
2010	118,000	5,846,300
2025	128,700	7,082,600
<i>Households:</i>		
1990	30,793	1,453,797
2000	39,136	1,842,130
2002	41,789	1,952,768
2010	43,200	2,181,700
2025	48,200	2,685,900
<i>Average Household Size:</i>		
1990	2.66	2.63
2000	2.78	2.68
2002	2.79	2.70
2010	2.73	2.66
2025	2.61	2.60

Sources: U.S. Census Bureau, North Central Texas Council of Governments, Claritas, Inc. and Leland Consulting Group.

**HOUSEHOLD INCOME GROWTH**

The current median household income for the City is \$66,800 – significantly higher than that for the metropolitan area, at \$55,600. Over the past twelve years, the City median household income increased at a compound average annual growth rate of 3.5%, while the metropolitan areas grew at a faster annual rate of 4.8%. This trend is expected to continue over the next eight years, as City household incomes are expected to grow at a slower rate than those for the metropolitan area.

TABLE 2  
**MEDIAN HOUSEHOLD INCOME GROWTH**  
1990 TO 2010

<u>Year</u>	<u>City of Carrollton</u>	<u>Dallas-Fort Worth Metropolitan Area</u>
1990	\$44,400	\$31,500
2000	\$62,400	\$50,500
2002	\$66,800	\$55,600
2010	\$87,700	\$81,200

Sources: U.S. Census Bureau, Claritas, Inc., and Leland Consulting Group.

**EMPLOYMENT GROWTH**

Between 1990 and 1998, the City's employment base grew at a 2.1% compound average annual rate, faster than that for the metropolitan area, which grew at a 1.3% rate. Over the next two decades, this trend is expected to reverse, as the metropolitan area is expected to grow at a 1.8% annual rate, compared to 1.2% for the City. This will result in the addition of approximately 20,000 new jobs to the City's employment base. As shown in Table 4 on the next page, the City's employment base is dominated by businesses in the Service and Manufacturing sectors.

TABLE 3  
**EMPLOYMENT GROWTH**  
1990 TO 2025

<u>Year</u>	<u>City of Carrollton</u>	<u>Dallas-Fort Worth Metropolitan Area</u>
1990	45,250	2,200,300
1995	48,050	2,304,900
1998	53,400	2,432,100
2025	73,300	3,943,600

Sources: U.S. Census Bureau, North Central Texas Council of Governments, Claritas, Inc. and Leland Consulting Group.

TABLE 4  
MAJOR EMPLOYERS

<u>Employer</u>	<u>No. of Employees</u>	<u>Industry Type</u>
Stream International	1,980	Service
ST Microelectronics	1,700	Mfg
Halliburton Energy Services	1,100	Mfg
City of Carrollton	950	Gov't
Hilton Reservations Worldwide	850	Service
RIA	750	Service
General Aluminum Co of Texas	630	Mfg
Trinity Medical Center	620	Health Care
Intracorp	500	Service
McKesson	500	Mfg
HiLite Industries	430	Mfg
Sarah Lee	400	Mfg
Wal-Mart Super Center	400	Retail

Source: City of Carrollton.

### Market Indicators by Land Use

Critical to interpreting the City's future competitive position for development growth is an understanding of the supply characteristics of competitive developments and surrounding submarkets. In order to identify potential market opportunities given the City's projected competitive position and prevailing market conditions, demand estimates were also prepared. The following discussion presents an overview of existing supply conditions and estimates of future demand by land use type.

## OFFICE SUPPLY CHARACTERISTICS

Summary office supply characteristics for Carrollton and the overall Dallas market area are presented as follows:

### *Dallas Market Area*

- Office lease rates in the Dallas market range from \$10 to \$25 per square foot (full service), with Class "A" rates ranging from \$20 to \$25, Class "B" ranging from \$15 to \$20, and Class "C" ranging from \$10 to \$14. Office lease rates in the overall market area have declined approximately 5% from last year's levels.
- Current office vacancy rates in the Dallas market average 24.6%. The market-wide vacancy rate increased significantly from 18.2% in 2000 and 22.0% in 2001, and has resulted in sluggish leasing activity and limited new construction.
- The Dallas market area experienced negative absorption of approximately 1.3 million square feet in 2002, with only three submarkets (East Dallas, Central Expressway, and Lewisville/Denton) showing positive absorption.



### *Carrollton Submarket*

- Current office lease rates in the Carrollton submarket range from \$14 to \$22 per square foot (full service), with Class "A" rates ranging from \$18 to \$22, Class "B" ranging from \$16 to \$18, and Class "C" ranging from \$14 to \$16. Unlike the overall Dallas market, office lease rates in the Carrollton submarket have remained relatively steady over the past two years.
- Current office vacancy rates in the Carrollton submarket average 25.0%. As with the Dallas market as a whole, the Carrollton submarket vacancy rate increased significantly from 2000 to 2002, resulting in declined leasing activity and limited new construction.

**OFFICE DEMAND CHARACTERISTICS**

Future demand for new office space is determined by: (1) expansion of existing industry, (2) relocation of new companies into the market, and (3) creation of new firms. The first two factors are addressed through an analysis of employment projections by industry classification. The third, creation of new firms, is addressed by including a factor for self-employed individuals (a sector historically not recorded in state-based employment calculations). Table 5 summarizes future demand for office space within the Carrollton market area to the year 2025.

TABLE 5  
**OFFICE DEMAND SUMMARY**  
CARROLLTON MARKET AREA

<i>OFFICE EMPLOYMENT*</i>		
	1998	32,000
	2010	36,900
	2025	44,000
<i>TOTAL EMPLOYMENT GROWTH</i>		
	1998 - 2010	4,900
	2011 - 2025	7,100
<i>OFFICE SIZE PER EMPLOYEE</i>		200 SQ FT
<i>TOTAL OFFICE DEMAND</i>		
	1998 - 2010	980,000 SQ FT
	2011 - 2025	1,420,000 SQ FT
<i>AVERAGE ANNUAL OFFICE DEMAND</i>		
	1998 - 2010	80,000 - 120,000 SQ FT
	2011 - 2025	100,000 - 150,000 SQ FT
* PRIMARILY WORKERS IN FINANCE, INSURANCE, REAL ESTATE, SERVICES AND GOVERNMENT SECTORS.		

Sources: North Central Texas Council of Governments, Urban Land Institute,  
Grubb & Ellis and Leland Consulting Group.

Based on the estimates above, there is market support for approximately 100,000 to 150,000 square feet of new office space annually in the City to the year 2025. Office market opportunities, or niches, emerging for Carrollton in the next ten years include Class "A" office space and corporate campus-type development and Class "B" office space targeted to smaller, local service tenants. Class "A" and corporate campus opportunities will likely occur along major transportation corridors (i.e., IH-35E, PGBT) and in the newly developing areas in the City's northeast quadrant. Opportunities for Class "B" local service office space will likely occur in secondary locations, yet still accessible to major transportation corridors. Downtown Carrollton could be another opportunity for this type of local service space, particularly in a mixed-use environment.

#### **RETAIL SUPPLY CHARACTERISTICS**

Summary retail supply characteristics for Carrollton and the overall Dallas market area are presented as follows:

##### *Dallas Market Area*

- Current retail lease rates in the Dallas market ranged from \$5.00 to \$32.00 per square foot (full service), with super-regional mall rates averaging \$31.94, power center rates averaging \$18.78, community center rates averaging \$13.70, and neighborhood center rates averaging \$10.82. Overall, rents increased approximately 1.8% in 2001.
- Current retail vacancy rates in the Dallas market average 8.6%. The market-wide vacancy rate declined from 9.2% in 2000 and is considered to be at or near market equilibrium.
- New retail construction in the Dallas market totaled 4.4 million square feet in 2001, compared to 6.3 million square feet constructed in 2000.

##### *Carrollton Submarket*

- Current retail lease rates in the Carrollton market area range from \$10.73 to \$13.12 per square foot (full service). Over the last three years, retail lease rates in the Carrollton market area have increased approximately 5% annually.
- Current retail vacancy rates in the Carrollton market area average 9.5%. The market-wide vacancy rate declined from 10.7% in 2000 and is considered to be at or near market equilibrium.
- New retail construction in the Carrollton market area totaled 302,400 square feet in 2001. Approximately 308,000 square feet of retail space was also absorbed in 2001, making Carrollton one of the highest-absorption submarkets in the metropolitan area.

## RETAIL DEMAND CHARACTERISTICS

Future demand for retail/service space is determined by the potential level of retail expenditures in a given trade area. The size of the market trade area for development varies by type of retail/service space analyzed, traffic patterns in the area, type and location of competitive centers, and proximity to the customer base.

As reflected in Table 6, projected household retail expenditures to the year 2025 are determined by multiplying growth in households with that portion of household income typically spent on general retail and service purchases. This reflects demand for retail space generated by new household formation.



TABLE 6  
**RETAIL DEMAND SUMMARY**  
 CARROLLTON MARKET AREA

<i>NUMBER OF HOUSEHOLDS</i>	
2002	41,800
2010	43,200
2025	48,200
<i>INCREASE IN HOUSEHOLDS</i>	
2002 - 2010	2,500
2011 - 2025	5,000
<i>AVG. ANNUAL HOUSEHOLD EXPENDITURES (SELECT CATEGORIES*)</i>	
2010	\$37,700
2025	\$62,800
<i>AGGREGATE SALES POTENTIAL FROM NEW HOUSEHOLDS</i>	
2002 - 2010	\$ 94,250,000
2011 - 2025	\$314,000,000
<i>IMPORTED SALES FROM OUTSIDE MARKET AREA</i>	40%
<i>TOTAL RETAIL SALES POTENTIAL</i>	
2002 - 2010	\$131,950,000
2011 - 2025	\$439,600,000
<i>SUPPORTABLE NEW RETAIL SPACE</i>	
2002 - 2010	500,000 TO 600,000 SQ FT
2011 - 2025	1,100,000 TO 1,200,000 SQ FT
<i>AVG. ANNUAL DEMAND FOR NEW RETAIL SPACE</i>	
2002 - 2010	60,000 TO 80,000 SQ FT
2011 - 2025	80,000 TO 100,000 SQ FT
* CATEGORIES INCLUDE THOSE FEATURED IN A COMMUNITY AND/OR NEIGHBORHOOD CENTER.	

Sources: North Central Texas Council of Governments, The Weitzman Group,  
 Urban Land Institute and Leland Consulting Group.

Based on the estimates above, there is market support for approximately 60,000 to 100,000 square feet of new retail space annually in the City to the year 2025. Retail market opportunities, or niches, emerging for Carrollton in the next ten years include: "big-box" retail development in the City's newly developing northeastern quadrant; specialty, entertainment and service retail in mixed-use developments (such as transit-oriented development); neighborhood-serving centers in newly developing residential areas; and revitalization of older commercial centers transitioning to meet changing markets.

#### **INDUSTRIAL SUPPLY CHARACTERISTICS**

Summary industrial supply characteristics for Carrollton and the overall Dallas market area are presented as follows:

##### *Dallas Market Area*

- Current industrial lease rates in the Dallas market range from \$4 to \$9 per square foot (full service), with industrial rates ranging from \$3 to \$5 and "flex" rates ranging from \$7 to \$9. Over the last two years, industrial lease rates in the Dallas market have remained relatively constant.
- Current industrial vacancy rates in the Dallas market average 8.8%, with industrial vacancy rates averaging 8.6%, and "flex" vacancy rates averaging 9.2%. The market-wide vacancy rate increased slightly from 8.6% in 2000, but is still considered to be at or near market equilibrium.
- About four million square feet of new industrial space is under construction in the Dallas market, over 70% of which is traditional industrial space.



##### *Carrollton Submarket*

- Current industrial lease rates in the Carrollton submarket range from \$3 to \$8 per square foot (full service), with industrial rates ranging from \$3 to \$5 and "flex" rates ranging from \$6 to \$8. Over the last two years, industrial lease rates in the Carrollton submarket have remained relatively constant.
- Current industrial vacancy rates in the Carrollton submarket average approximately 8%, with higher vacancy rates in "flex" space. The market-wide vacancy rate increased slightly from 7% in 2000, but is still considered to be at or near market equilibrium.

#### **INDUSTRIAL DEMAND CHARACTERISTICS**

Similar to office space, demand for new industrial space is also determined by the expansion of existing industry, relocation of new companies into the market, and creation

of new firms. The first two factors are addressed through an analysis of employment projections by industry classification. The third, creation of new firms, is addressed by including a factor for self-employed individuals (a sector historically not recorded in state-based employment calculations). Table 7 summarizes future demand for industrial space within the Carrollton submarket area to the year 2025. This reflects demand for industrial space generated by employment growth.

TABLE 7  
**INDUSTRIAL DEMAND SUMMARY**  
CARROLLTON MARKET AREA

<i>INDUSTRIAL EMPLOYMENT*</i>	
1998	13,300
2010	15,300
2025	18,300
<i>TOTAL EMPLOYMENT GROWTH</i>	
1998 - 2010	2,000
2011 - 2025	3,000
<i>BUILDING SIZE PER EMPLOYEE</i>	400 SQ FT
<i>TOTAL BUILDING DEMAND</i>	
1998 - 2010	800,000 SQ FT
2011 - 2025	1,200,000 SQ FT
<i>AVERAGE ANNUAL BUILDING DEMAND</i>	
1998 - 2010	60,000 - 100,000 SQ FT
2011 - 2025	80,000 - 120,000 SQ FT
* PRIMARILY WORKERS IN CONSTRUCTION, WHOLESALE AND MANUFACTURING SECTORS.	

Sources: North Central Texas Council of Governments, Urban Land Institute, Grubb & Ellis and Leland Consulting Group.

Based on the estimates above, there is market support for approximately 80,000 to 120,000 square feet of new industrial space annually in the City to the year 2025. Industrial market opportunities, or niches, emerging for Carrollton in the next ten years include: expansion of the City's regional industrial and distribution centers along IH-35E (such as Valwood

Industrial Park); development of "flex-space" along major transportation corridors (IH-35E and PGBT); and light industrial space targeted to smaller, local service tenants in secondary locations.

## HOUSING SUPPLY CHARACTERISTICS

### *Dallas Market Area*

- The average single-family home price in the Dallas market was approximately \$172,000 in 2001, up 4% over the 2000 figure.
- Single-family construction has historically represented between 70% and 75% of new residential development, with average annual construction of 20,000 to 25,000 units.
- Multi-family construction has historically represented between 25% and 30% of new residential development, with average annual construction of 10,000 to 15,000 units.
- Monthly apartment rents in the Dallas market generally average between \$0.85 and \$1.02 per square foot (depending on unit type, location and age). Apartment vacancy rates averaged between 6.3% and 6.9% (depending on location and age), with a market-wide average of 6.6%.

### *Carrollton Submarket*

- The average single-family home price in the Carrollton submarket was approximately \$143,000 in 2001, up 5% over the 2000 figure.
- Single-family construction has historically represented between 70% and 75% of residential development, with average annual construction of 600 to 700 units.
- Multi-family construction has historically represented between 25% and 30% of residential development, with average annual construction of 200 to 300 units.
- Monthly apartment rents in the Carrollton submarket generally average between \$0.80 and \$1.00 per square foot (depending on unit type, location and age). Apartment vacancy rates averaged between 6.0% and 7.0% (depending on location and age), with a market-wide average of 6.5%.

## HOUSING DEMAND CHARACTERISTICS

Future demand for housing is driven by an increase in the population base among income-qualified buyers and renters. The analysis presented in Table 8 on the next page summarizes future demand to the year 2025.

Based on the estimates below, there is market support for approximately 250 single-family units and 100 multi-family units annually in the City to the year 2025. While the City does not have available residential land area to accommodate this level of development, there are ample residential market opportunities, or niches, emerging for infill and redevelopment within Carrollton. These niches include: rental apartments targeted to young professionals employed in the IH-35E and PGBT corridors; attached ownership housing for working professionals and "empty-nesters;" and higher-density housing products (townhouses/row houses and multi-family condominiums) in an urban mixed-use environment.



TABLE 8  
**HOUSING DEMAND SUMMARY**  
 CARROLLTON MARKET AREA

<i>NUMBER OF HOUSEHOLDS</i>		
	2002	41,800
	2010	43,200
	2025	48,200
<i>INCREASE IN HOUSEHOLDS</i>		
	2002 - 2010	2,500
	2011 - 2025	5,000
<i>ESTIMATED SINGLE-FAMILY HOUSEHOLDS SHARE</i>		
		70%
<i>TOTAL DEMAND FOR SINGLE-FAMILY HOUSING</i>		
	2002 - 2010	1,750 UNITS
	2011 - 2025	3,500 UNITS
<i>AVG. ANNUAL DEMAND FOR SINGLE-FAMILY HOUSING</i>		
	2002 - 2010	200 TO 225 UNITS
	2011 - 2025	225 TO 250 UNITS
<i>ESTIMATED MULTI-FAMILY HOUSEHOLDS SHARE</i>		
		30%
<i>TOTAL DEMAND FOR MULTI-FAMILY HOUSING</i>		
	2002 - 2010	750 UNITS
	2011 - 2025	1,050 UNITS
<i>AVG. ANNUAL DEMAND FOR MULTI-FAMILY HOUSING</i>		
	2002 - 2010	90 TO 120 UNITS
	2011 - 2025	70 TO 90 UNITS

Sources: North Central Texas Council of Governments, Urban Land Institute, Grubb & Ellis and Leland Consulting Group.

## Market "Areas of Opportunity"

As shown above, there are market opportunities emerging in Carrollton for every type of land use. For the City to successfully capitalize on these opportunities, focused investment and reinvestment efforts should be directed to "areas of opportunity" where private investment can be most effectively leveraged with public initiatives. Following are such "areas of opportunity" within Carrollton:

- ***DART LRT Station Areas:*** The three LRT stations along IH-35E provide opportunities for new and innovative development concepts unprecedented in Carrollton's history. The emphasis in these areas will be transit-oriented, mixed-use, pedestrian environments, relying on high-density development to provide and support transit ridership. Prevalent land uses will include high-density housing, office and support retail space.
- ***President George Bush Turnpike:*** The PGBT provides another opportunity for development. Development should be concentrated in activity centers at key intersections along the Turnpike (e.g., Old Denton Road, Josey Lane, etc.), rather than allowed to be "diluted" along the Turnpike's entire length. This type of "stripped-out" development pattern is not only unresponsive to market forces, but also is not economically and fiscally sound. Land uses emerging along the PGBT will include corporate office, regional retail, and business-park-style development.
- ***Belt Line Road Corridor/Downtown:*** The Belt Line Road Corridor and its link to downtown Carrollton provide an opportunity for infill development and reinvestment in the historical heart of the City. Infill housing and commercial opportunities exist along this corridor, while "densifying" housing and strengthening the retail base are potential downtown opportunities.
- ***Aging Commercial Centers:*** As recommended by the *Retail Study of Underperforming and Vacant Retail Areas*, jointly conducted by the cities of Carrollton, Richardson and Plano in 2002, the City has an opportunity to revitalize and redevelop aging and underperforming retail centers through the introduction of new land uses. These infill development opportunities would better connect these centers to surrounding neighborhoods and enhance their long-term value.
- ***West and Northeast Carrollton:*** These areas represent the City's best opportunity to attract large amounts of new development in the future. Northeast Carrollton has been designated as a corporate commercial area and is the City's location for campus-style business park development. West Carrollton has an opportunity to capitalize on the Trinity Mills LRT station and create a mixed-use environment encompassing office, residential and retail uses.

In summary, these five "areas of opportunity" can allow Carrollton to maintain market share in the region while enhancing the quality of life of its residents.

