El Paso

Gears Up for the Future

By Harold Hunt
The conclusion of the latest round of Base Realignment and Closure (BRAC) proceedings along with other key military decisions stand to greatly benefit Ft. Bliss and the entire El Paso region. But El Paso is working to strengthen other economic drivers as well. Expectations for the area’s real estate markets are running high.

Proactivity Reaps Benefits

BRAC commissions have not always been kind to El Paso. A previous proceeding in 1995 resulted in the 3rd Armored Cavalry’s 2,500 troops being moved from Ft. Bliss to Ft. Collins, Colorado. After the loss, El Paso officials began a concerted effort to lobby Congress and the Pentagon about the region’s assets.

Those lobbying efforts paid off handsomely when the 2005 BRAC commission ranked Ft. Bliss first among all U.S. Army installations in terms of military value. At more than a million acres, Ft. Bliss is the only base in the nation large enough to allow every one of the Army’s weapons to be fired. When combined with adjacent Holloman Air Force Base and White Sands Missile Range, the total Department of Defense–controlled ground-air space exceeds three million acres, the largest in the U.S. military’s inventory.

About 17,000 active duty soldiers are stationed at Ft. Bliss, generating a $1.7 billion regional economic impact annually, or about $100,000 per soldier. If the proposed troop increases occur, military construction alone could amount to $2 billion to $3 billion. This could lead to the single largest construction project in the history of the Army according to Bob Cook, president of El Paso’s Regional Economic Development Corporation (REDCO).

Although no official timetables have been established, more than 21,000 active duty troops and 33,000 dependents are expected to relocate to Ft. Bliss by 2011. These troops and family members should begin arriving in 2006. Forecasts are that 60 percent of military families will live off-post.

An average of 1,933 military personnel leave military service through Ft. Bliss each year. Between 10 and 15 percent of those exiting soldiers remain in the El Paso area after leaving the military. These military personnel are trained in such specialties as electronic and maintenance technology, logistics support and medical support.

High-Tech Job Potential

The Army has chosen Ft. Bliss as the location for the Future Combat System (FCS), which has been called the centerpiece of the Army’s modernization program. FCS will connect a network of high-tech manned and unmanned systems to soldiers on the ground.

The military is moving toward small, modular military units with an increasing amount of technology at their disposal, according to Cook. The FCS will be developing the most advanced fighting technology in the world.

The FCS Evaluation Brigade Combat Team should start adding personnel and equipment by March 2007 to support the first series of FCS evaluations. FCS plans to begin using technology in the field in 2010. By 2014, more than 3,000 soldiers are expected to be evaluating FCS technology at Ft. Bliss.

Ft. Bliss was chosen in part because of its access to White Sands Missile Range in southern New Mexico, which will

**ACTIVE DUTY MILITARY PERSONNEL** at Ft. Bliss are supported by 6,600 civilian employees, making the post one of the area’s top five employers.
provide the necessary land, airspace and facilities for the Evaluation Brigade Combat Team soldiers to fully train, test and evaluate FCS capabilities. Defense contractors Boeing and Science Applications International Corporation have since announced the establishment of a new FCS regional office in El Paso.

Water Supply Key to Growth

One of the military’s top concerns when evaluating the growth potential of Ft. Bliss involved water resources. The general assumption was that the area’s water supply would not be sufficient to support any large increases in demand in the years ahead. The El Paso Water Utilities Board paid for a number of hydrology and geology studies to obtain the facts.

The studies revealed that a vast amount of brackish groundwater could be drawn from the Hueco Bolson, a local aquifer. That discovery led to a joint project between Ft. Bliss and the El Paso Water Utilities Board to build the world’s largest inland desalination plant on Ft. Bliss property.

The brackish water can be treated at competitive prices because the sodium concentration is much lower than the levels found in seawater, about 1,500 parts per million (ppm) versus 30,000 to 40,000 ppm. The maximum ppm of sodium allowed for drinking water is 1,000, and El Paso’s drinking water varies between 650 and 700 ppm.

The $27 million plant now under construction will produce about 27.5 million gallons of drinking water per day when completed in early 2007. The facility will increase the water utility’s total fresh water production by about 25 percent, ensuring that the area’s water supply will be sufficient for at least the next 50 years.

The Consortium for High-Tech Investigations of Water and Wastewater (CHIWAWA) has been formed to conduct future water research programs. The consortium includes the El Paso Water Utilities Board; the City of Alamogordo, New Mexico; New Mexico State University; the University of Texas at El Paso and Texas A&M University.

During years with normal rainfall, about 60 percent of El Paso’s water (60,000 acre feet) will come from the Rio Grande. El Paso residents consume about 101,000 acre feet of water per year.

Residential Market Explosion

The consensus is that El Paso is experiencing one of its strongest single-family markets ever. Lot supply is the lowest of any time in recent history. The average days-on-market citywide for new residential construction is no more than ten days. Some homes are sold before completion.

Out-of-state investors are becoming more interested in El Paso’s single-family market. About 20 percent of new homes constructed by local homebuilder Tropicana Homes were sold to investors during the last six months of 2005, according to Bobby Bowling IV, vice-president of Tropicana Homes. By contrast, almost no investors were purchasing single-family homes in the El Paso market a year ago.

Bowling believes investors are impressed by El Paso’s affordability and have expectations of a large increase in troop strength at Ft. Bliss as a result of BRAC. Some El Paso builders have begun to sell new homes only to owner-occupants in an attempt to limit “flipping” by investors looking to make a short-term profit.

The Greater El Paso Association of Realtors reported the median price of homes sold through the local multiple listing service (MLS) in 2005 was $111,000, up 16.8 percent over 2004. Fifty percent of homes sold through the MLS sold within 30 days of being listed, according to Association Executive Terrie Todd. Despite the recent price increases, El Paso remains one of the country’s most affordable housing markets.

On the mortgage side, Harold Hahn, president of Rocky Mountain Mortgage, reports that about half of his firm’s mortgage applications are on a property-to-be-determined basis. Many buyers are forced to wait for a new home to be built if they are not interested in purchasing an existing one.

Rocky Mountain Mortgage’s average mortgage increased about $4,000 to $96,000 in 2005. Of the 600 homes the firm is providing construction financing for, 77 percent are already under contract. Soldiers are becoming better educated about the benefits of homeownership, Hahn says, and loan applications from military personnel are active.

The area’s home construction labor supply has become extremely tight. As a result, some builders are turning to El Paso Community College for help. The college has begun to offer a 16-week program for construction workers. The local builders association has commitments from area school districts to increase their trades training as well.

El Paso is behind other cities of similar size in lot availability, according to Doug Schwartz, CEO of Southwest Land Development Inc. Schwartz believes that El Paso should be building about 8,000 to 10,000 homes a year to keep up with demand. About 4,500 new homes were constructed in 2005, according to Bowling’s calculations, an increase of 50 percent over the 3,000 built in 2003.

Unlike many western U.S. cities, El Paso is unable to expand in all directions because of

A DESALINATION PLANT scheduled to open in early 2007 is expected to ensure the area’s water supply for at least 50 years.
its proximity to the New Mexico and Mexico borders. About 20,000 acres on El Paso’s northeast side and 10,000 acres on the city’s northwest side are all that remain to be developed. The El Paso Public Service Board (PSB), the city’s water utility, owns about 90 percent of the vacant land on the northeast side. While land on the northeast side is relatively flat, the remaining undeveloped land on El Paso’s northwest side is generally rocky and uneven, making it too expensive to develop for starter homes.

Some developers have argued that the PSB should be selling larger tracts than they have been. Arguments for more master planning are being raised as well. The PSB recently decided to master plan all of their remaining land holdings. This should help facilitate residential development in those areas and help attract national homebuilders.

In an effort to help developers avoid time-consuming backlogs at the city’s Building & Planning Services Department, the El Paso City Council implemented a private, on-site construction inspection program. Third-party inspections have gained wide acceptance thus far. Estimates are that the private inspection process saves about one month in construction time for single-family homes. Private inspections are improving inspection times for commercial properties as well.

As Texas land is developed out, the long-term solution to growth on El Paso’s northwest side will eventually involve development of land in New Mexico. Verde Realty, founded in November 2003 by William D. Sanders and C. Ronald Blankenship, has unveiled plans for the company’s 21,000-acre master-planned community in Santa Teresa, New Mexico. The development will incorporate a traditional neighborhood design with several neighborhood centers, parks and schools within walking distance of residential areas. More than 20 percent of the project will be preserved as open space with miles of hike-and-bike trails. Construction of the first phase begins in 2006.

Sunland Park is another New Mexico suburb in proximity to El Paso. The city of about 13,000 stretches along a roughly three-by-seven-mile strip of the Rio Grande about five miles northwest of downtown El Paso. Sunland Park is one of New Mexico’s fastest-growing communities. The Verde Group also plans to build homes in Sunland Park.

About 40 miles northwest of El Paso, the City of Las Cruces, New Mexico, has begun to see significant immigration from retirees desiring a slower-paced, affordable lifestyle. The city of about 190,000 has been marketing its great weather and amazing scenery for years. As a result, Las Cruces is adding a new dimension to the region’s increasingly diverse economy. New residents are discovering what locals have known for years. El Paso is not far from snow skiing in Ruidoso and Cloudcroft, New Mexico. Both cities are about a two-hour drive from El Paso. Their higher altitude offers cooler days in summer, and many El Paso residents retreat to these cities on summer weekends.

**Multifamily Market**

The El Paso apartment market differs in several ways from apartment markets in other Texas metro areas. The number of apartment units on a per-capita basis is lower in El Paso, primarily because affordability and the Hispanic culture tend to favor single-family ownership.
El Paso’s population is about 80 percent Hispanic, and households made up of large extended families are typical. Young adults usually remain at home much longer than in Anglo families, and elderly relatives often live with the family rather than moving to senior housing or nursing homes. Thus, a family’s income may consist of contributions from several family members.

Apartment construction costs in El Paso are similar to other major metro areas in Texas. However, areas such as Austin or Dallas can command much higher rents. As a result, no national apartment developers have attempted projects in El Paso, and almost no institutional ownership of existing units exists.

Winston Black, senior investment advisor for Hendricks & Partners, reports seeing more apartments change hands in the past three years than in the 15 previous years. Black believes that California money, a lot of it 1031 exchanges, has driven about 60 percent of the apartment transactions in the last two years.

New construction in the last ten years has focused almost exclusively on developments at opposite ends of the spectrum, with tax-credit properties dominating the lower end and Class-A units at the upper end. Although the initial lease-up in new Class-A properties is often slow because of the higher rents, occupancy rates have remained surprisingly stable after lease-up for attractive, well-maintained properties.

The apartment market has experienced significant cyclical-ity in the past as a result of large deployments out of Ft. Bliss. For example, a 15 percent drop in occupancy occurred within a few months after troops were deployed to the Middle East during the first Gulf War.

The level of cyclicity in the El Paso apartment market has largely been determined by the type of troops being deployed. Fighting troops are generally deployed faster and in greater numbers than more specialized troops. Ft. Bliss has acquired a substantial number of specialized air defense artillery troops since the first Gulf War. The type of troops stationed at Ft. Bliss as a result of the latest BRAC realignment should suggest the magnitude of military-related shifts in apartment occupancy in the future.

According to El Paso Apartment Association Executive Director Jerry Carlson, the city has adequate rental housing to accommodate the military inflow for 2005 and 2006. The full impact of BRAC will not be felt until 2007. However, Carlson believes that significant new apartment construction will be initiated soon.

The Army is attempting to increase retention by assigning soldiers to a post for longer periods than in the past. Carlson notes that soldiers attaining the rank of sergeant first class (E-5) or higher can generally afford to buy a home. Soldiers ranked below that rarely buy homes unless their spouses earn significant salaries.

In a typical 140-soldier group, about 90 soldiers (64.3 percent) would be ranked E-5 or higher. The percentage of married soldiers increases as rank goes up. About 60 of the 140 soldiers (42.8 percent) would be expected to be married.

Soldiers living off-post typically locate in northeast and east El Paso for convenience. Although numbers have not been announced, Ft. Bliss will be building more on-post housing. Depending on how many new housing units are constructed, some segments of the apartment market could be negatively impacted. However, on-post housing should have little effect on demand for Class-A apartments.

Total apartment stock is nearing 25,000 units, according to the El Paso Apartment Association. More than 1,000 new units are currently in development. Two new apartment properties will be developed on the city’s west side, two others on the northeast side and one on the city’s east side.

Overall apartment occupancy rate was 93.5 percent in December 2005, up from about 90.5 percent in December 2004. Average rents ended 2005 at 67 cents per square foot per month. Only 11.1 percent of apartment units contain three or more bedrooms. The remaining 88.1 percent are efficiency, one-bedroom or two-bedroom units.

**Industrial Evolution**

As more companies adopt a global perspective during the site selection process, optimal assembly, manufacturing and distribution locations are coming to light. A clearer picture of global supply chains is emerging, and the Juarez–El Paso–south Central New Mexico border region is an increasingly important part of that picture. About 18 percent of all trade between the United States and Mexico crosses at the El Paso–Juarez border, and forecasts are for U.S.-Mexico trade volume to increase 6 to 8 percent annually during the next two to three years.

A 2005 report by the El Paso branch of the Dallas Federal Reserve Bank stated, “Texas/Mexico border cities have, in general, developed as complements, providing each other with unique goods and services, acting as a single urban area and spurring the growth of their respective neighbors.” The entire border region around El Paso operates as one interconnected industrial bloc, even though it resides within two U.S. states and two countries.

Several trends are strengthening the region’s industrial sector. First, the improving U.S. economy has increased demand for manufactured goods. Employment in Juarez maquiladoras actually began to rebound in 2004 after declining more than 27 percent between 2000 and 2003.

The shift of industrial activity to China during that period caused much of El Paso’s proposed industrial development to be put on hold. An increase in manufacturing buildings currently being leased, built or sold in Juarez is a positive sign that corporations are again looking to Mexico as an alternative to China for many new industrial projects.

Juarez maquila employment now exceeds 200,000, and industrial vacancy on the Juarez side is nearing 3 percent. The maquila industry generates half of Mexico’s exports and provides 30 percent of Mexico’s manufacturing employment. Furthermore, academic studies have reported that a 10 percent increase in maquila activity in a Mexican border city leads to a 1 to 2 percent increase in employment in the neighboring U.S. border city.

New maquiladoras are capitalizing on Mexico’s global advantages, which include proximity to the United States and a relatively productive, affordable workforce. Global firms recognize that Mexico cannot match China’s low wage rates. However, they are directing an increasing number of Asian-
made components through Mexico for final assembly before being transported into the United States as finished goods.

An October 2005 report by the El Paso Fed revealed the magnitude of foreign competition making inroads into the maquila supply chains. The report stated that in 2000, 90 percent of maquila inputs originated from the United States while a mere 9 percent came from Asia. By 2004, only 59 percent were shipped from the United States while almost 36 percent were originating from Asia. The increasing importance of Juarez as a staging area for final assembly of more affordable Asian components should not be underestimated.

Manufacturing operations relocating to the border region are moving up the technology scale, involving more automation and demanding faster and more consistent delivery times from their suppliers. As a result, more suppliers are choosing to locate facilities in Juarez near the manufacturers they supply. Some still prefer to lease space on the U.S. side of the border, providing a less-complicated exit should their annually-negotiated contracts be terminated. El Paso, together with Juarez and Southern New Mexico, is the third-largest manufacturing center in North America by number of manufacturing workers (233,200 jobs) behind Los Angeles (369,700 jobs) and Chicago (334,700 jobs).

The design cycle in electronics is shrinking continuously as new models become obsolete sooner. This favors Mexico as well. New designs and engineering changes for North American markets can reach customers much sooner when they originate from Mexico rather than Asia.

The El Paso region is home to about 80,000 automotive jobs, some involving a high level of technical expertise. For example, Delphi’s technological innovations at their Juarez Technical Center have yielded 144 patents, 65 defense publications and 11 trade secrets. The technical center initiated operations in 1995 and now employs 3,000. Engineers make up 55 percent of their workforce.

Faster border crossings are an important issue being addressed through the Customs Trade Partnership Against Terrorism (C-TPAT) and Free and Secure Trade (FAST), two programs created after 9-11. The C-TPAT program is voluntary. Interested firms involved in cross-border transportation of goods must complete a certification process verifying that every part of their supply chain is secure, resulting in fewer inspection delays at the border. The FAST program designates special lanes at border crossings for C-TPAT-certified trucks. A FAST lane is currently in operation at El Paso’s Bridge of the Americas and Zaragoza Bridge.

A company applies and is accepted into the C-TPAT program, but customs must still physically visit key facilities in the company’s supply chain to validate that the company is doing what it says it is doing. More than 10,000 companies have applied for C-TPAT membership, about 5,500 have been accepted and about 1,400 have been validated.

Customs validations extend to overseas facilities as well, both owned and just affiliated with importers. C-TPAT is available to importers, carriers (air, rail, sea and truck), brokers, air freight consolidators, ocean transportation intermediaries, nonvessel operating common carriers, port authorities, terminal operators, warehouse operators and selected foreign manufacturers.

According to Adin Brown of Sonny Brown Associates, El Paso’s industrial vacancy rate has been hovering around the
10 percent level. Industrial space on the U.S. side has grown considerably since 1984 when total inventory was about 12 million square feet. Today, industrial inventory exceeds 58 million square feet on the U.S. side alone.

Some have argued that with smoother, more consistent border-crossing times into the United States from Mexico and an increasing number of Asian suppliers delivering components through Mexico, demand for warehouse space located on the border’s U.S. side will be reduced. Although that is a possibility, it is still too soon to predict how U.S.-based warehouse-distribution space will fit into emerging Asia-Mexico-U.S. supply chains.

It may be that the U.S.-based suppliers are simply being replaced by global competitors, mainly from Asia. Alternatively, perhaps U.S.-based suppliers are having their inputs partially or completely produced in Asia to take advantage of cheaper labor, then sent to Mexico for final assembly in the maquilas.

**Nascent Office Market**

El Paso’s traditional office market is small, with many area companies choosing to carry out office activities in industrial flex space rather than conventional office space. Total office space in El Paso is less than seven million square feet.

Statistics from the Texas Workforce Commission reveal that jobs in the professional and business services category increased by 15,400 (88 percent) from December 1995 to December 2005. As a percentage of total nonfarm employment, those office-related jobs increased from 7.4 percent to 12.2 percent in the El Paso Metropolitan Statistical Area (MSA).

An office campus is currently being planned around a Tom Fazio-designed golf course under construction on El Paso International Airport land. Patrick Abeln, director of aviation for the airport, envisions a high-end office campus with a few large office tenants, although no tenants have been secured to date.

The least desirable office sector has been downtown El Paso, which has a vacancy rate exceeding 20 percent. However, that may be about to change according to Myrna Deckert, president of the Paso del Norte Group. Area business leader William Sanders formed Paso del Norte in August 2004 to promote the economic, social and cultural vitality of the region, which has a population of more than two million when southern New Mexico and Mexico are included. The idea was to make the region the center of U.S.-Mexico commerce.

According to Deckert. About 340 group members, primarily business CEOs in the region, work in committees and task groups to shape El Paso’s future.

In early April 2006, Paso del Norte announced its master plan for redevelopment of downtown El Paso and downtown Juarez. This will be the first binational urban development project along the Texas-Mexico border. One objective is to make it easier to cross the border to enhance commerce. Paso del Norte hired a private master-planning firm to identify the primary drivers for successful downtown areas worldwide. More than 50 cities were studied, allowing the group to analyze which economic drivers would work best for El Paso.

In a recent development, New Jersey-based Automatic Data Processing Inc. has announced that it will occupy downtown office space for a new temporary solutions technical support center, bringing more than 1,000 new jobs to El Paso during the next five years. The firm will eventually build its own office facility on El Paso’s west side.

Office rents in El Paso range from about $14 to $19 per square foot gross. Little new office construction is occurring in the city. About 100,000 square feet is under development on the city’s east side.

Brokers confirm that a significant amount of medical office space is under construction in El Paso, although that information is not officially tracked. Thomason CARE clinic will begin a $12.3 million expansion on the city’s northeast side that will provide offices for physicians, imaging and therapy services. The new 28,000-square-foot building should be completed in 2007.

Del Sol Medical Center has also announced the development of a $9 million, four-story medical office building near their eastside hospital facility. The 67,500-square-foot building will open in the spring of 2007 and will cater to out-of-town physicians who desire to have office facilities near a hospital.

**Retail Details**

Record new home construction is combining with the improving U.S. economy and a stable peso to produce a strong retail market in El Paso. Local retail broker Richard Amstater of RJL Real Estate Consultants believes this is the most active market he has seen in the last 30 years. Eighteen months ago, six big-box properties were vacant in El Paso. Today only one remains unoccupied.

The recent arrival of Jos. A. Banks and Chico’s is beginning to create more interest from national firms according to Adam.
Frank, vice-president of local real estate development and management company River Oaks Properties. River Oaks has half a dozen new retail projects under development in El Paso, five of which are on the city’s booming east side.

Bob Ayoub is president of the region’s other major retail development-management company, Mimco Inc. Ayoub, who also has several new developments underway, says that El Paso is really five distinct submarkets: west, northeast, central, east south of I-10 and east north of I-10. Ayoub believes that many positive things are coming together for El Paso’s retail market, including more soldiers at Ft. Bliss, improving maquilas and the new medical school. El Paso’s peak retail rents are about $20 per square foot.

National retailers have tended to underestimate the value of Mexican shoppers, especially the high-end retail client. Wealthy Mexicans often own homes on both sides of the border. Surveys have shown that about 20 percent of Mexicans crossing the border have a U.S. bank account. Mexican nationals often combine shopping trips with the consumption of other forms of entertainment and services such as banking or medical services. Astute Mexicans also know that some products are sold in the U.S. market before being made available in Mexico.

Mexican retail customers have reported that they prefer to shop in the United States for a variety of reasons including better selection, more consistent availability, lower prices, more pleasant shopping atmosphere, better quality and superior customer service. Lower-end customers may even resell what they buy on the U.S. side when they return to Mexico.

American retail chains with no stores in Mexico have become extremely popular with Mexican shoppers. Examples include Abercrombie & Fitch, American Eagle Outfitters and Victoria’s Secret. According to the Simon Property Group, the average Mexican shopper spends twice as much per trip as an American shopper.

Of Mexican nationals entering Texas by car in 2004, 43 percent reported remaining on the U.S. side one to seven nights before returning. About 98 percent of Mexican pedestrians crossing by foot into Texas only stay for the day. About 85 percent of Mexicans crossing into Texas list shopping as one of their reasons for crossing. El Paso has been the least affected major Texas border city when swings occur in the value of the Mexican peso, according to a Dallas Federal Reserve study.

Exclusive national restaurant chains are yet to take a chance on El Paso. Some El Paso residents report driving 40 miles to Las Cruces just to dine at PF Chang’s. Upscale lifestyle tenants are beginning to show some interest in El Paso. Lifestyle centers are open-air, main-street-like developments with higher-quality architecture that focus on specific retail sectors and blend mixed uses typical of a traditional main street. No mixed-use projects (combining retail with apartments, office space, for example) like those being developed in the state’s largest metro areas have occurred in El Paso thus far. Overall, El Paso’s retail development continues to move at a relatively steady pace.

International

The El Paso International Airport encompasses about 7,000 acres. Initial development of the airport property began in 1969.

Since the BRAC announcement, the airport development group has reevaluated airport property to incorporate more BRAC-related commercial uses in the future. Airport development officials are now predicting more commercial and fewer industrial projects than previously forecast. A significant amount of industrial development has already occurred along the airport’s Global Reach Boulevard during the past six years, including a 300,000-square-foot cargo center. Global Reach Boulevard is a major artery leading directly into Biggs Army Airfield.

The airport’s Butterfield Industrial Park includes tenants such as Delphi, Yosake, a variety of medical supply companies, auto parts firms, and companies conducting light manufacturing and assembly. The park offers a Free Trade Zone, a central location within the city, good future access to Loop 375, a U.S. Customs office located onsite and proximity to air cargo and rail services. Butterfield Industrial Park services about 3,000 rail cars per year.

The newest development taking place on airport property is the Tom Fazio-designed Butterfield Trail golf course. The $15 million project is being paid for with airport funds; no tax dollars are involved. The course is under construction and

THE $15 MILLION BUTTERFIELD TRAIL golf course, located on airport property, is expected to open in late 2006 or early 2007.
should be open by late 2006 to early 2007. Long-range plans for the golf course development include an office campus surrounding the course catering to a limited number of high-end tenants as well as a resort hotel. The course is being developed inside the “V” created by the intersection of the airport’s two main runways, thus avoiding any direct aircraft flyovers.

**Transportation Plans**

About $426 million worth of transportation projects are in the planning stages according to Eduardo Calvo, advance transportation planning director at the El Paso District office of the Texas Department of Transportation. Creation of a Regional Mobility Authority (RMA) is one option being considered to address El Paso’s transportation issues. RMAs allow local authorities to levy tolls, use the power of eminent domain and issue revenue bonds to support local infrastructure development. Funds raised would be used locally, enabling officials to address local transportation needs more quickly than through regular state channels.

Because of its proximity to New Mexico and Mexico, El Paso’s RMA would also be authorized to design and fund infrastructure projects outside of Texas. This would allow the RMA to develop multistate or international transportation infrastructure projects to improve transportation flow through the El Paso region.

The City of El Paso is the only Texas city that has been given the right to create a RMA. The RMA approval process has progressed slowly because of some citizens’ concerns over toll road construction.

The Texas Legislature provided funding in 2005 to develop the Center for International Intelligent Transportation Research (CIITR) in El Paso. A branch of the Texas Transportation Institute, the Center will focus on developing and applying intelligent transportation systems and other advanced technologies to address international transportation issues.

The CIITR will focus on three areas — traffic management, border issues and air quality — to enhance the efficient, safe and secure movement of people and goods across the Texas-Mexico border and within the El Paso area. Researchers plan to apply the results of their work to other international border cities in Texas and other states. In addition, CIITR plans to work with local colleges to ensure training of the region’s future transportation workforce.

For detailed information about transportation planning issues in the El Paso region, visit the El Paso Metropolitan Planning Organization’s website at www.elpasompo.org.

**Education Issues**

The quality of primary education in the El Paso area continues to be a major concern. A University of Texas at El Paso (UTEP) study funded by local businessman Woody Hunt’s Cimarron Foundation revealed that year 2000 per-capita income and education levels in El Paso were at 30 percent of state averages. About 71 percent of El Paso students attending public schools were considered economically disadvantaged according to the 2000 Census.

The newly funded Center for Intelligent Transportation Research will focus on improving transportation of both people and goods in the border region.

The University of Texas at El Paso is one of the top five employers in the area.
A 2005 study conducted by the Cimarron group revealed that El Paso’s nine area school districts were improving, performing better than any other urban area in Texas in relation to Hispanic K–12 graduation rates and test scores. Census data reveals that about 78 percent of El Paso’s K–12 student population is Hispanic.

The community has been stepping up to the plate when it comes to local school financing. Three bond issues totaling almost $700 million have passed in the last three years. El Paso has also received almost $220 million in “impact aid” funding since 1998. Impact Aid is a U.S. Department of Education program that compensates school districts for tax revenue lost as a result of a local federal presence such as a military base.

El Paso Community College (EPCC) is the fastest-growing community college in Texas. It has more than 24,000 credit students and 5,300 noncredit students and provides more than 130 academic programs, continuing education courses, distance education and online courses, customized employer training and other workforce development initiatives, making it the leading training provider for local businesses and industry. EPCC has five campuses in the El Paso area. Students are about 89 percent Hispanic. The college ranked third among community colleges in the nation in awarding associate degrees to Hispanic students.

In September 2005, Hispanic Business magazine chose UTEP as the top engineering school in America for Hispanics. UTEP is hoping that the selection of Ft. Bliss for the Army’s FCS program will produce more local job opportunities for its engineering graduates. Together, UTEP and New Mexico State University in nearby Las Cruces graduate more than 1,000 mostly Hispanic scientists, health professionals and engineers annually.

UTEP was also chosen as one of Governor Rick Perry’s Regional Centers for Innovation and Commercialization in August 2005. The center will provide an environment for seed funding in the commercialization of inventions and intellectual property. Area officials hope newly-developed technology will spin off into business opportunities. UTEP, ranked second in the nation in awarding undergraduate degrees to Hispanic students, has more than quadrupled its research expenditures since 1991.

About $4.5 billion worth of federally funded research is being conducted annually within the 300-mile corridor that extends from El Paso to Albuquerque, according to REDCO. Last December, New Mexico Governor Bill Richardson and Richard Branson, chairman of Virgin Companies, announced a partnership to build the world’s first spaceport. That program is expected to bring even more technology-funded research to the corridor. The $225 million facility will be located about 85 miles northeast of El Paso in a remote part of New Mexico.

**Med School Grows**

In a boost for the medical sector, $45 million was approved during the 2005 legislative session to construct medical school facilities adjacent to Thomason Hospital near downtown El Paso. The Texas Tech University Health Sciences Center School of Medicine El Paso will expand from its two-year program to a full four-year medical school in May 2008. Texas Tech expects to have about 80 students enrolled by fall 2008. One of two new buildings has been completed, and the second is under construction.

The expanded med school will conduct research with an emphasis on border and Hispanic health issues. The El Paso region is virtually untapped market for clinical trials, meaning that researchers will be able to study populations that have been in the area from ten days to ten generations. They will also be able to study the effects of genetics, diet, location and environment.

Another advantage to conducting research in the region is possible collaboration with William Beaumont Army Medical
Center in El Paso. The presence of a modern medical school is expected to attract additional highly qualified medical professionals and physicians to the El Paso area.

**Ahead on Air Quality**

El Paso is one of the first Texas cities to turn around its air quality profile, and one of the few U.S. cities to go from nonattainment to attainment for more than one pollutant, according to the Texas Commission on Environmental Quality. The Environmental Protection Agency (EPA) designated El Paso County as being in attainment for ozone under the new eight-hour ozone standard as of June 15, 2004.

On January 11, 2006, TCEQ commissioners also approved El Paso’s request to the EPA for carbon monoxide attainment status. The EPA is reviewing the request, which may take several months. El Paso remains in nonattainment for PM10 (particulate matter of ten microns in size or smaller).
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