

Kyle leads way as Hays County grows into an economic force

Austin's neighbor to the south sees a boom in population, business

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Husband-and-wife team Spencer Thomas and Julie Albertson had modest goals when they moved their wholesale pie business out of their Austin home and opened the Texas Pie Company in downtown Kyle in 2000.

"I can remember making the comment that if we could get \$75 a day (in business) that we could make our mortgage," Thomas said.

In the 10 years since, much has changed, for the Texas Pie Company and for the surrounding area.

Its first few years, the shop sold about 800 pies at Thanksgiving, Thomas said. Last Thanksgiving, "we sold more than 3,000," he said.

Texas Pie now has six employees and a lunch menu.

That success is emblematic of what's going on across Hays County these days. The county's population has risen 67.4 percent in the past decade, to about 164,000, making it the fourth fastest-growing county in Texas and 15th in the nation, according to the U.S. Census Bureau.

Much of that growth has been in the northern part of the county, especially in Kyle, which city officials say is projected to overtake San Marcos as the county's largest city in the next five to seven years.

Kyle's population has risen about 600 percent in the past decade to an estimated 32,000, according to the city.

Kyle also has become the retail hub of northern Hays County. At a time when retail development has slowed in other parts of Central Texas, Kyle has about 2.5 million square feet of new development open or under construction at one busy intersection alone, according to the city. By comparison, the largest single shopping development in Austin, Southpark Meadows, has about 1.6 million square feet.

The city's sales tax revenue has risen about 500 percent in the past decade — ahead of Williamson County cities such as Cedar Park and Leander.

The junction of Interstate 35 and Kyle Parkway (FM 1626) has created a sort of second town center away from the city's still-sleepy downtown.

The growth there occurred after the City of Kyle partnered with the Texas Department of Transportation to build an overpass and create an exit at the site, said Diana Blank, the city's economic development director.

On one side of Kyle Parkway is the 230,000- square-foot Kyle Marketplace, which is anchored by a 150,000- square-foot H-E-B Plus store. Across the road is Kyle Crossing, which includes a Target and a Kohl's department store.

"When you see stuff like ... banks and grocery stores going in, it's a sign that the population is viable" for business, said Rob Adams, a lecturer at the University of Texas' McCombs School of Business. "Think of the population, think of the housing base, the tax base that brings in."

Just across the interstate from all those new stores is the centerpiece of the new Kyle: Seton Medical Center Hays. The hospital is part of a development that is expected to eventually have about 1 million square feet of retail space.

The \$144 million hospital, which opened in October, brought in more than 400 direct jobs and has created an estimated 1,500 spinoff jobs in the medical field, Blank said. As a result, "we're kind of naturally flowing to that, toward becoming a medical hub," said Blank, who said an additional 600,000 square feet of medical office space has been built in Kyle because of the hospital's arrival.

Seton was serving about 25 percent of Hays' population through its Austin hospitals, said Thomas Gallagher, president and chief executive officer of the Seton Family of Hospitals' south market. "We studied the demographics and the projections for growth ... and building somewhere within Hays made sense."

Just down FM 1626 from the new retail is Plum Creek, one of the housing developments that have sprung up in Kyle to meet Hays County's population growth. The 2,200-acre community is modeled after urban neighborhoods, with narrow streets, front porches on every house and schools, retail and services nearby.

Plum Creek currently has about 1,500 homes. Plans call for that to swell to 8,700 by the time the project is complete, according to the development's Web site.

One reason for the housing boom, experts say, is pretty obvious: It costs less to live in Hays County than in Travis County.

The median price for existing homes in Hays County in 2009 was \$170,000, according to the Austin Board of Realtors. That compares with \$205,000 for Travis County.

"There's still lots of land for expansion here, and land prices are much more reasonable in Hays County than in most of Travis or Williamson counties," said William Chittenden, chairman of the Department of Finance and Economics at Texas State University's McCoy College of Business Administration.

"It's much more affordable to live in Kyle or Buda than it is to live in South Austin."

Despite the residential boom, Hays foreclosures have not risen as steeply as in Travis or Williamson County in the past few years.

Seeking industry

While Hays County officials say they are pleased with the surge in housing developments and the jump in retail and service businesses, they say that is only part of the story.

Retail jobs make up about 15 percent of total employment in Hays County, and retail has added about 3,000 jobs to the county economy since 2002, said Brian Kelsey, director of community and economic development for the Capital Area Council of Governments.

Government — mainly Texas State University and Hays school districts — remains the county's largest employer, although the health care sector has added about 1,800 jobs since 2002, Kelsey said.

However, the county needs to bring in more industry to become more than a place for Austin commuters to live, said Hays Commissioner Will Conley.

"We are tied too much to retail revenues in this county," Conley said. "We need to make sure we have not only economic independence for our county, but economic diversity ... looking at manufacturing, looking at distribution, looking at green technology, looking at health care."

Kyle has been trying to address that challenge, Blank said.

"It's fair to say that we've been a bedroom community for Austin, but we're not content with that," she said. "Our goal over the past few years has been to become a full-service community. Now we're getting the type of jobs, especially in the medical field, that run the gamut — that anybody who lives in Kyle would be able to find the skill set that would fit them."

The city's target list includes manufacturing companies such as Xtreme Power, which makes battery-based energy storage systems for utilities, wind farms and manufacturing companies.

CEO Carlos Coe said Xtreme Power's leadership "looked up and down the I-35 corridor" before deciding in 2004 to put the company's headquarters in Kyle.

About 50 of Xtreme Power's more than 100 employees are at its Kyle site, said Coe, who lives in San Marcos.

The technology was developed in Austin, but Xtreme decided to locate elsewhere because of "the additional cost of operating in Austin and also the additional restrictions in operating in Austin from a manufacturing perspective," Coe said. "Hays County represented a good compromise."

Thomas, of the Texas Pie Company, said he thinks his adopted hometown is on the right track.

"I think the city has done a great job, really, of attracting the right kind of growth," he said. "If we're going to grow that way, at least it has been retail and a hospital. I'd rather see that kind of stuff than heavy machinery or manufacturing."

One of the main reasons Kyle and other parts of Hays County are booming is their location midway between Austin and San Antonio.

"You are going to benefit from all that growth that goes on in San Antonio, and you're going to benefit from all that growth that goes on in Austin," Chittenden said. "Geographically, they are perfectly situated for that. You have access to much larger cities, but you don't have to have the problems of those larger cities."

That doesn't mean Kyle and other Hays cities have escaped the infrastructure challenges that come with swift population growth. Blank, however, said Kyle's leadership moved swiftly to get ready for the city's population boom.

"They saw it coming and took on the challenge of preparing for all the infrastructure that that growth would need to the extent of taking on (Texas Department of Transportation) jobs ... that were not necessarily a priority for them but were a priority for us," Blank said.

That infrastructure comes at a price, and Kyle owed about \$57 million in bond debt at the end of fiscal year 2008-09, according to documents filed with the Municipal Securities Rulemaking Board.

Hays County's growth has taken a different path from the boom in Williamson County, said Adams, the UT professor.

Williamson's growth was kick-started when computer giant Dell Inc. moved its headquarters from Austin to Round Rock in 1994. Dell now has about 16,000 employees in Central Texas. In 1990, Williamson County's population was about 139,000, according to the U.S. Census Bureau; today it's estimated at 410,000, according to the Texas State Data Center.

Unlike Williamson, Hays County is growing without a major private employer as a catalyst, Adams said.

"You really don't see the equivalent (to Dell) in Kyle and Buda," Adams said. "The population in the central part of Hays County is going to cause other businesses to come in. It's more demand-side driven than supply-side driven."

The boom in Hays won't end anytime soon, experts say.

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The county's population is expected to jump from 164,000 now to more than 250,000 in the next 10 years and to more than 455,000 by 2040, according to the Texas State Data Center.

As Hays keeps growing, it's hard to see anything that might derail that, Adams said.

"The momentum of the place will sustain itself now, no matter what," Adams said. "Obviously, if a big employer were to come in, great, but it's only going to be more momentum."

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