

Jefferson, Hardin, and Orange Counties

Hefty employment growth is driving strong consumer confidence and healthy sales tax increases in Southeast Texas. The relatively stable housing prices throughout the recovery continue – particularly as compared to the rest of the nation. The speed of selling a house has improved recently. It is, however, still considerably slower since the recession.

INDUSTRY

Recently, Motiva formally commissioned its crude expansion project, making it the nation's largest refinery and doubling the refinery's capacity to 600,000 barrels per day. The five-year, \$10 billion and 14,000 construction-worker project was the largest single expansion in the U.S. in four decades. The project's estimated economic impact to the region is estimated in excess of \$17 billion. And it's responsible for about 300 new permanent jobs. The expanded refinery is designed to process a range of crudes, enabling it to produce gasoline, ultra- low sulfur diesel and jet fuel, as well as petroleum coke, sulfur and petrochemical feed stocks – mainly intended for the U.S. market. A fire caused the new unit to be shut down on June 9 just as it was reaching operational status. This may delay the estimated full-production date.

By early 2013, the Port Arthur Valero Refinery will be using the largest carbon capture and storage project in the world, a project which will decrease the plant's carbon emissions. Air Products and Chemicals Inc. will take CO₂ gas out of methane steam from the refinery and place it into a Denbury pipeline on the Port Arthur site. The CO₂ then will be injected into oil reserves to recover untapped oil, as much as 17% more than the traditional way.

By the end of June 2012, construction on the Valero Port Arthur Hydrocracker project reached about 95% completion. Testing of the installations in preparation for commissioning and unit start-up is under way. Employment headcount is approximately 1,400 construction workers with project completion targeted for Q3 2012.

Last quarter's report mentioned opportunities for the area's industrial construction workers at upcoming projects by Chevron Phillips near Houston. Since then, two more opportunities made the news. ExxonMobil announced it is considering a multi-billion-dollar expansion of its petrochemical complex in Baytown. If the project comes to fruition, it would provide 10,000 construction jobs. Also, Dow Chemical announced plans to build a new ethylene production plant in Freeport which would employ 2,000 workers at construction peak.

Jefferson Refinery sought and recently received approval for a lease from the Port of Beaumont for development of dock and storage tanks on the Orange County side of the Port. The full project includes the building a new plant to make jet fuel and diesel, revival of a gas liquids plant, and refurbishment of 10 liquid storage tanks with a capacity of more than 460,000 barrels. The project involves \$380 million investment and could result in 300 construction jobs and 200 full-time jobs after completion.

Cheniere's project to expand the facility for exporting LNG in Cameron Parish, Louisiana, now estimated at \$10 billion (formerly \$6 billion). A contract was signed for use of the entire proposed facility and within 30 days. Since there is so little infrastructure on the Louisiana side, Jefferson County, Texas, which is just across the state line and waterway, will see the most of the benefits in terms of workers, suppliers, and service industries.

REGIONAL AIRPORT

Jack Brooks Regional Airport (formerly called the Southeast Texas Regional Airport) lost its only provider of passenger air service to Houston. United Airlines set up an airline-operated bus service that will get passengers to and from Houston. Commercial service including hangar rentals, fuel sales and private jet flights at the airport will continue and are expected to generate operating revenue for the airport. A team of economic developers are trying to secure new airline service and explore other revenue-producing avenues.

HURRICANE FUNDS

The flow of the first round of Hurricane Ike recovery dollars began recently with the South East Texas Regional Planning Commission supervising the hiring of contractors. The second round is expected to begin in September or October. Though the commission received 3,539 applications since the program began, only 700 homes belonging to low- to moderate-income residents that still have hurricane damage will benefit in round one. When it's all completed, the federal government will have spent more than \$500 million on Hurricane Ike recovery, including homes and public assets like roads, bridges and water and sewer systems.

DEVELOPMENT

Construction on the Orange Riverfront Boardwalk & Pavilion Project began in June. The \$6.2 million projected is expected to be complete in early spring 2013. The estimated number of construction jobs throughout the duration of the 7-month project is approximately 100.

Lamar University is in the planning stages for a research and commercialization center where businesses can be incubated. This follows a proven method of economic development at other universities with nationally known programs. A similar park at Louisiana State University in Baton Rouge has created about 10,000 jobs in the community over the past 25 years.

SALES TAX

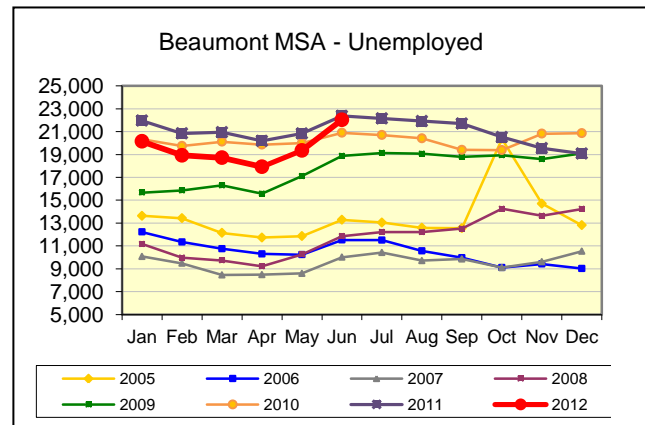
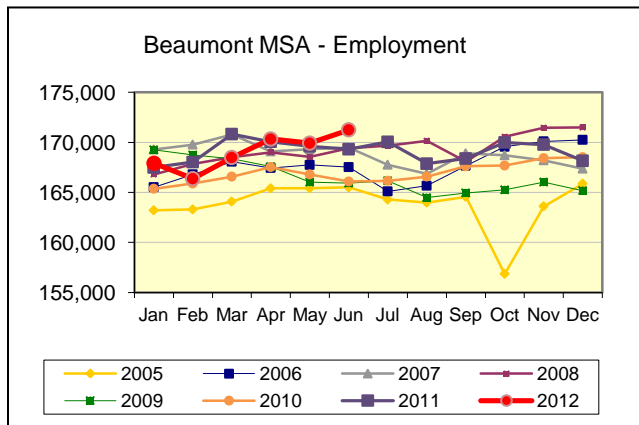
Sales taxes reported in July, representing sales in May, showed a 29.7% increase over May of 2011. This is the largest increase since the recovery started. The 78% increase for Port Arthur is reportedly due to increased oil and gas business and not retail business.

City	May 2012	May 2011	% change
Beaumont	\$2,787,855	\$2,401,113	16.1%
Port Arthur	\$1,595,453	\$895,223	78.2%
Orange (city)	\$288,986	\$232,736	24.2%
Nederland	\$398,163	\$263,678	51.0%
Silsbee	\$206,321	\$196,667	4.9%
Lumberton	\$196,801	\$190,571	3.3%
Vidor	\$167,293	\$140,860	18.8%
Port Neches	\$84,251	\$70,254	19.9%
Bridge City	\$111,378	\$86,295	29.1%
West Orange	\$74,812	\$75,646	-1.1%
Pinehurst	\$59,340	\$53,908	10.1%
Kountze	\$30,799	\$21,854	40.9%
TOTAL	\$6,001,452	\$4,628,803	29.7%

EMPLOYMENT

The increase in unemployment rate in Beaumont MSA from May to June is no cause for concern – that’s the typical cyclical trend as students enter the workforce for the summer. Data going back to January 2001 shows the number of employed workers and the number of unemployed workers both reached the third highest monthly peak in June of 2012. See charts below.

Unemployment Rate			
	June 2012	May 2011	June 2011
Beaumont MSA	11.4%	10.2%	11.6%
Texas	7.6%	6.9%	8.6%
US	8.4%	7.9%	9.3%



UNEMPLOYMENT

In Texas, the maximum number of weeks of unemployment benefits shrank from 73 to 60 weeks on July 8. A total of 286 workers in the three-county area were affected by the change. Earlier in the year, the maximum number of weeks of benefits was 99. The change was triggered when the state’s unemployment rate fell below a three-month average of 7%. The emergency benefits are set to expire at the end of this year when the benefits time period will return to the non-emergency 26-week period.

REAL ESTATE

Compared to June of last year, the number of home sales increased slightly. In May, however, the number of homes sold in Beaumont increased by 38% over May of 2011. There was little change in median and average price. The months of inventory measure indicates that houses are selling somewhat faster than a year ago.

June	# of homes sold	Median price	Average price	Months Inventory
2012	173	\$130,800	\$146,100	11.2
2011	177	\$131,200	\$146,100	12.6

The Jefferson County Appraisal District (Beaumont / Port Arthur) reported the average price of about 50,000 single-family residences in Beaumont has hovered around \$89,000 since 2008. Detroit on the other hand saw a huge drop in home value to \$30,000. (Source: Beaumont Enterprise)

COST OF LIVING

The ACCRA Cost of Living Index measures relative price levels for consumer goods and services in participating areas. The average for all participating places, both metropolitan and non-metropolitan, equals 100, and each participant's index is read as a percentage of the average for all places.

The index decreased in every category for Beaumont from the 2011 annual report to the Q1 2012 report.

	Beaumont Q1 2012	Beaumont 2011
Composite Index	93.6	96.4
Grocery	86.7	89.2
Housing	96.0	99.1
Utilities	86.3	90.8
Transportation	97.4	98.0
Health Care	85.4	93.9
Miscellaneous Goods & Services	96.6	98.6

Texas

Will the European debt crisis have any immediate effect on the Texas economy? Economist James Galbraith explains: "Texas does have industries that sell to Europe, but losing a small fraction of sales to Europe is not a 'make or break' situation to the Texas economy." In 2010, Texas exported goods worth \$17.4 billion to the 17 Eurozone nations accounting for about 8.4% of the state's total exports for that year. Trade with Netherlands, Belgium and Germany (more stable nations of the Eurozone) accounted for \$12.3 billion. (Source: Fiscal Notes by Texas Comptroller)

Texas continued its top ranking by ChiefExecutive.net as the best state for doing business for the seventh year in a row. Texas got strong marks in all areas important for business creation and has the second-lowest taxes in the nation. The state has created more jobs than any other state and has the highest inward net migration rate of any state. California is ranked the worst. Louisiana moved from 40 to 27. Arkansas moved from 27 to 30. Mississippi moved from 35 to 38.

An analysis by the Wall Street Journal revealed that Texas is one of only four states that have recovered its lost jobs since the recession started. The other three states are Alaska, North Dakota, and Louisiana. Note all four of the recovering states have benefited from an energy boom. The majority of states still won't reach the recovery mark until after 2014.

*Information in this report was provided by the named industries or through publicly available sources.
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