



2018
ANNUAL REPORT

ENVISIONING MIDLAND'S **FUTURE**

 **MIDLAND**TM
DEVELOPMENT CORPORATION

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MISSION AND GOALS

The Midland Development Corporation (MDC), created in January 2002, offers incentives to qualified new and existing employers who create jobs for the community. Midland voters made these incentives possible when they approved a quarter-cent increase in the local sales tax rate, with additional revenues earmarked to promote economic development and diversification.

A five-member board appointed by the City Council governs the MDC.

MISSION

Promote and advance opportunities that enhance and diversify the strength and stability of the Midland economy.

GOALS

- The MDC will attract diversified industries and businesses to Midland.
- The MDC will retain and encourage expansion of existing businesses.
- The MDC will provide assistance to develop areas of the City of Midland that meet the city's development objectives.
- The MDC will market, recruit and strengthen Midland's workforce for current and future employers.



LETTER FROM MDC'S CHAIRMAN OF THE BOARD

The Permian Basin's oil and gas industry has emerged as the economic powerhouse of the nation. With 8.5% year-over-year growth in employment, and 30% growth in sales tax revenues, Midland is experiencing an unprecedented economic upswing. In January through October 2018, an estimated 40 new workers joined Midland's labor force each day. This is accompanied by the challenges of rapid expansion that have revealed our city's urgent need for greater capacities in infrastructure, medical care, workforce housing, and comprehensive educational opportunities. Unless Midland can sustainably manage its growth, it will become an outpost for oil and gas extraction, not a locus of opportunity where families thrive and quality of life is cultivated.

However, Midland has a visionary community and elected leaders who are eminently capable of unlocking our city's potential and taking transformational action. Collaboration among these leaders is the key factor that will enable our city to provide for the needs of its citizens.

The Midland Development Corporation is committed to precisely that kind of collaboration. Over the past five years, we have funded or committed to \$15MM of road and infrastructure projects with the City of Midland; \$9MM of road projects with TXDOT; \$1.35MM for Midland College and Midland Independent School District's Dual Credit and Technology Education Program; \$2MM for Midland Health's Physician Recruitment Program; \$.45MM for Midland College's Transportation Training Program; \$10MM for UT Permian Basin's College of Engineering and Makerspace; and \$8.4MM for Texas Tech Health Sciences Center's Child and Adolescent Psychiatry Fellowship Program, among many other projects. The MDC's board views its activities as a portfolio of investments that are targeted to best assist Midland in its areas of greatest opportunity and most acute need.

In 2018, the MDC committed itself to innovative projects to meet Midland's extraordinary challenges. This prompted us to invest in an in-house engineering department of three civil engineers, empowering the MDC to more effectively develop its business parks, expedite infrastructure projects, and participate with the City of Midland's road and right-of-way planning. The MDC is the first economic development corporation in Texas to establish its own engineering team.

The opportunities available in Midland demand groundbreaking responses. We cannot fall back on methods that worked in the past. Blessed by resources and energetic leadership, the MDC finds itself in a position to accelerate Midland's trajectory toward a future that fulfills our great potential.

Brent Hilliard
Chairman of the Board



BOARD OF DIRECTORS



Keith Stretcher
1st Vice Chair

Keith Stretcher, a long-time resident of Midland, served as the City Attorney for Midland from 1992 to 2015. He is a graduate of the Texas Tech University School of Law. He has helped draft several legislative bills on economic development that have become Texas law. He has served as President of the Texas City Attorney's Association, and on the Midland Chamber of Commerce's Executive Committee.



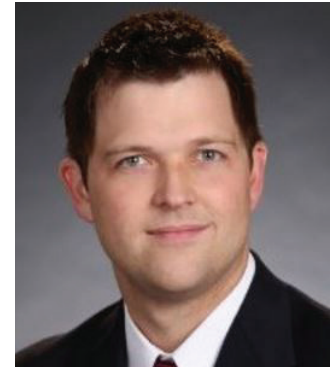
Gary D. Douglas
2nd Vice Chair

Gary D. Douglas is the Co-President of Wagner & Brown, Ltd., having been with the company since 1987. He is a graduate of the University of Texas with a BA degree in Accounting, and a graduate of the University of Texas Law School, having earned his Doctors of Jurisprudence in 1979. Gary is involved in numerous civic, community, and church activities.



Wesley Bownds
Secretary

A native of Andrews, Texas, Wesley Bownds attended Texas A&M University and earned a BA degree in Business Administration. He moved to Midland in 1980 and began his banking career. He is now the Permian Basin Regional President for Frost Bank. Wesley has served on the board of Community and Senior Services for 15 years, and is a founding member of Stonegate Fellowship Church.



Stephen Lowery
Treasurer

Stephen Lowery is a managing principal of Red Beard Capital LLC (RBC). Prior to co-founding RBC, he was employed in business development by the Henry Investment Group. Stephen is a CPA and earned his MBA from the University of Texas of the Permian Basin. He currently serves on the board of the Boys & Girls Club of Midland.

PROFESSIONAL STAFF



Ranjita Chennamsetti
Assistant Engineer



Tim Danielson
Director of Business Development



Blair Flanagan
Administrative Assistant



Sara Harris
Interim Administrator & Director of Community Projects



Gary L. Law, P.E.
Director of Project Development



Nikitha Reddy Sankepally
Assistant Engineer

TTUHSC Child & Adolescent Psychiatry Program

KEITH STRETCHER

The Permian Basin has an acute and urgent need for qualified and trained child and adolescent psychiatrists. It is currently difficult to find accessible and timely psychiatric care in the Permian Basin without a long waiting period.

To meet the demands of the Permian Basin and West Texas, the Texas Tech University Health Sciences Center (TTUHSC) has received approval for a Child and Adolescent Psychiatry Fellowship program. This program will

train four new child and adolescent psychiatrists per year. The Texas Higher Education Coordinating Board has also approved funding for sixteen residents who will work for TTUHSC in the Permian Basin. The Board has allocated \$2.1MM over the next two years for training residents. The MDC thanks Representative Tom Craddick and Senator Kel Seliger for their leadership in obtaining this funding, and their assistance in making this project possible.

One of the reasons why the MDC has the ability to enter into this partnership

with TTUHSC is because of the people from the region who spend money in Midland. It is important to emphasize that those individuals will also benefit from this project. It is estimated that 4% of the patients will be from the surrounding counties.

“This project will be Texas Tech’s regional facility. There is currently not a psychiatric fellowship program in Lubbock, Amarillo, Odessa, San Angelo, Abilene, or Wichita Falls. Expanding the TTUHSC’s psychiatry department will help care for the children and adolescents in the Permian Basin, and provide vital services which are lacking in our region,” said Keith Stretcher, MDC Board First Vice Chairman, who has spearheaded this project.

This program will improve the access to and quality of care provided to individuals who require those services. Children and adolescents from the Permian Basin with mental illnesses

The MDC has committed \$8.4MM over the next eight years to TTUHSC’s child and adolescent psychiatry program, to be used for program expenses and salaries. This program is housed at a newly-renovated facility on Michigan Avenue in Midland, adjacent to Midland Memorial Hospital. The Scharbauer Foundation contributed to the renovation of the facility.





will not have to travel to Dallas, Austin or Houston for needed treatment. This long-distance travel has caused significant economic hardships on families in West Texas. Due to lengthy travel, some families have had to do without the services their children needed.

Keith Stretcher said the Fellowship program will attract physicians from all over the country to train in Midland. As part of their training, the fellows and residents will work in clinics and treat an average of 9,720 patients per year at the Midland facility.

This partnership with TTUSHC will enhance the MDC's ability to attract businesses to Midland, and the Fellowship program will make the Permian Basin more competitive and attractive to the new, young workforce that businesses are recruiting. Midland's oil-based economy is constantly recruiting new employees. Many of the MDC's corporate prospects ask about the availability of healthcare for their employees. The MDC saw this as a major opportunity to invest in the TTUSHC, which is a leader in the state of Texas.



MIDLAND COLLEGE TRANSPORTATION TRAINING PROGRAM

At the heart of the oil patch, drivers with commercial licenses are in high demand in Midland: companies pay a premium for drivers with good records, and the lack of truckers to service well locations and sand mines is a bottleneck in the Permian's economic capacity. While the MDC has assisted companies to recruit drivers from outside the Permian Basin, another solution is to tap into the region's residents, and offer enhanced training opportunities.

Midland College has an outstanding commercial driver's license (CDL) training program with a history of producing successful, well-paid graduates who are essential to the local economy. However, the training program's capacity was limited by a lack of instructors and aging equipment for training. Long wait times for testing at Midland's local Department of Public Safety (DPS) were also hindering graduates of the program, who were facing months-long delays between program completion and state accreditation.

With these challenges in mind, the MDC partnered with Midland College to increase the program's capacity and number of graduates: the MDC has committed \$260,000.00 for the purchase of two tractor trucks and two vacuum tank trailers to be used for teaching students, to supplement Midland College's training fleet;

and \$221,000.00 to hire additional instructors and for the program to become certified as a third-party DPS testing facility. As a result of this assistance, in academic year 2019, Midland College will graduate at least ninety students who will obtain their CDLs, an increase of more than 50% over the program's participation and graduation rate in academic year 2017.

Concurrent with the partnership with Midland College, the MDC collaborated with the local Permian Basin Workforce Development Board (PBWDB) to obtain a high-demand jobs training grant from the Texas Workforce Commission. These grants are available to economic development organizations that work with employers or community colleges to establish or expand jobs training programs for targeted occupations that pay good wages and need additional workers. Together, the MDC and PBWDB applied for and were awarded a grant for \$100,000.00. These funds comprise part of the \$260,000.00 used to purchase additional trucks for Midland College.

This three-party agreement to increase Midland's skilled workforce was a fantastic chance to exhibit how collaboration among the community can strengthen bonds, achieve common goals, and enhance Midland's economy.

MIDLAND ENTREPRENEURIAL CHALLENGE

The Midland Entrepreneurial Challenge continued in 2018 with a new crop of spirited entrepreneurs, eager to enter the local marketplace

with their business plans. The Midland Entrepreneurial Challenge is funded by the MDC and administrated by the Small Business Development Center at the University of Texas Permian Basin's

Midland campus. After a rigorous training process, an independent panel of judges selects the winning business plans. This year, the winners included Big State Compression, Most Wanted Waste Removal, The Oilfield Photographer, Piano Works Gallery & Clocks, Tall City Brewing Co., and Texland Collision.

The MDC celebrates these fledgling businesses, as they add to the vibrancy and diversity of the Midland economy.





RIG COUNTS

Permian Basin

- As of Dec. 31, the Permian Basin had 486 rigs, up by 86 rigs (21.5%) since the first week of 2018.
- As of Dec. 31, the Permian Basin rig count was up by 352 rigs (262%) since the downturn's lowest counts of 134 in 2016. 134 rigs were recorded on April 29 and May 13, 2016.
- As of Dec. 31, 91.5% of Texas' rigs were operating in the Permian Basin. That's nearly three out of four rigs.
- 2015 average rig count: 277 total basin; 227 Texas part of the basin
- 2016 average rig count: 182 total basin; 158 Texas part of the basin
- 2017 average rig count: 355 total basin; 298 Texas part of the basin
- 2018 average rig count: 487 total basin; 385 Texas part of the basin

Midland County

- 2015 average rig count: 32
- 2016 average rig count: 30
- 2017 average rig count: 42
- 2018 average rig count: 53

Weir Oil & Gas



OIL PRICES

- Average WTI price in 2015: \$48.79 per barrel
- Average WTI price in 2016: \$43.40 per barrel
- Average WTI price in 2017: \$50.80 per barrel
- Average WTI price in 2018: \$67.28 per barrel

ECONOMIC INDICATORS

(2018 performance through Sept. 30)

- Consumer spending: up 36%
- Automotive spending: up 32.7%
- Permits: Up 69.5%
- Permit valuations: up 77%
- Hotel-motel tax collections: up 101.8%



MIDLAND 101

Fiscal Year (2017-2018)

- Airport Boardings: 581,721 (increase of 15.5% compared to previous fiscal year)
- City sales tax collection: \$51.117 million (City sales taxes have attained double-digit records through the end of 2018)

Calendar Year (through December 2018)

Housing:

- Number of days on the market: 30
- Homes sold through Dec. 2018 – 2,498
- Average sold price in 2018 (for Midland County): \$326,670. (The previous record was \$294,126, set in 2017.)

Child Care

President Trump's Tax Cuts and Jobs Act doubled the amount of the child care tax credit Americans can claim per child, but it can be difficult to get that tax credit in Midland, where the shortage of quality child care has resulted in waiting lists that stretch to thousands of names. At any given time, child care providers estimate that there are 1,000 to 1,500 children in Midland who need a space in a child care facility. This is a substantial impediment to economic growth in Midland: mothers are dropping out of the workforce, and employers are finding it difficult to recruit and retain parents as employees.

The Midland Development Corporation (MDC) is creating solutions to Midland's child care challenges. We are proposing a franchise-based, employer-sponsored child care consortium facility with this structure:

- A nationally-known child care provider brand will contract with a franchisee in Midland.
- The franchisee will draw up agreements with a group of employers in Midland to form a consortium facility.
- The franchisee will be responsible for the facility construction costs and will be the facility owner and operator. Curriculum, brand identity, and marketing will be under the control of the nationally-known child care provider brand, and the franchisee will be responsible for upholding high standards of education and care.

- The participating group of employers would contract with the franchisee for the number of child care spaces needed, and the employers would commit to a ten-year agreement to pay for the contracted number of spaces. These costs could be passed on to employees, or partially subsidized, at the choice of each individual employer.

While the need for child care in Midland is great, so is the incentive for companies to participate in child care. Companies that provide child care solutions to their employees receive a measurable return on their investment. According to a national study conducted in 2017 by Horizons Workforce Consulting, 79% of the 1,903 parents who responded said that employer-facilitated child care was an important reason why they chose the company, and 95% of parents said that reliable child care increased their productivity and the number of hours they could work. A third of the study participants had declined an alternate job offer so that they could retain access to employer-provided child care. Here in Midland, one hears from many individuals who have refused new jobs with higher salaries, because the new companies do not offer child care, and their current employers do.

Companies can invest in their employees and stand out in a competitive job market by providing child care, but initiating a program can be daunting for a business. The consortium child care model

“While the need for child care in Midland is great, so is the incentive for companies to participate in child care.”

offers companies a solution to their employees' child care challenges, while simultaneously reducing the costs associated with start-up, and mitigating operational risks. A company that participates can take advantage of the economies of scale of a larger center, and manage expenses by only committing to the spaces that its employees need.

Midland's unemployment rate is currently 2.1%. The city's labor force and worker productivity can be increased by making child care available to parents.

The challenges facing Midland are urgent, but not unique. North Dakota and Wisconsin have initiated state-wide subsidies and funding assistance for child care. A 2016 study by the Institute of Women's Policy Research showed that insufficient child care was the second-most common reason why women failed to complete job training programs. Inability to work full-time keeps women from improving their family's economic prospects. Consortium child care facilities are one possible solution to a complex problem, and the Midland Development Corporation is committed to exploring a wide range of possibilities.



CITY OF MIDLAND AQUATICS

The City of Midland Aquatics facility is home to a powerhouse diving team that has received international attention for the high caliber of its athletes. For fifty years, COM Aquatics has been Midland's destination for swimming excellence, water aerobics, and aquatic therapy. With an ambitious plan, COM Aquatics is partnering with the MDC for a \$40,000 promotional

agreement that will allow it to bring Olympic-qualifying competitions and the national spotlight to Midland.

City of Midland Aquatics enriches the lives of thousands of Midlanders, from those who learn to swim there as toddlers, to the senior citizens who enjoy its aerobics classes and therapy sessions.



HISPANIC CULTURAL CENTER



Founded in 1996, the Hispanic Cultural Center of Midland has established itself as a nexus of arts education that enriches the lives of hundreds of students through its programs in art, dance, drama, music and speech. Educational assistance and tutoring are also provided.

The Hispanic Cultural Center actively promotes and celebrates Midland and its vibrant Hispanic community, offering the MDC an excellent opportunity for collaboration. The MDC's promotional agreement with the Hispanic Cultural Center will provide for \$15,000 per year in support from 2018 through 2023, which will enable program expansion, facilities maintenance, and greater outreach throughout Midland.

Midland Memorial Hospital Physician Recruitment Program

Attracting quality physicians is difficult for every American city. The shortfall of doctors nationwide will be nearly 100,000 by 2025, according to the American Medical Association. Since 2007, the MDC has been supporting Midland Memorial Hospital's physician recruitment efforts. The current version of the physician recruitment reimbursement agreement between MDC and Midland Memorial Hospital began in 2014, and committed \$2MM total, to be reimbursed in amounts of up to \$450,000 per

fiscal year.

This program has been an unqualified success, with eighteen physicians recruited in fiscal year 2018. Midland Memorial's recruitment efforts are precisely targeted to attract physicians whose specialties match the needs of the Midland community. In 2018, seven doctors of internal medicine were recruited, along with one pediatrician, two cardiologists, one general surgeon, one maternal fetal medicine specialist, one ear, nose, and throat specialist, one family medicine specialist, one urologist, one dermatologist, and one orthopedic specialist. Eight of these physicians are from Midland or have family ties here, which is the best way to ensure that physicians are dedicated to Midland and will stay in the city long-term.

According to a study conducted

in 2014 by Merritt Hawkins, a nationwide leader in physician recruitment and consulting, the economic impact of physicians upon their communities is enormous: each physician supports fourteen jobs, and each physician supports an average of \$1.1MM in wages and benefits, from which \$90,449 in local and state tax revenues is derived.

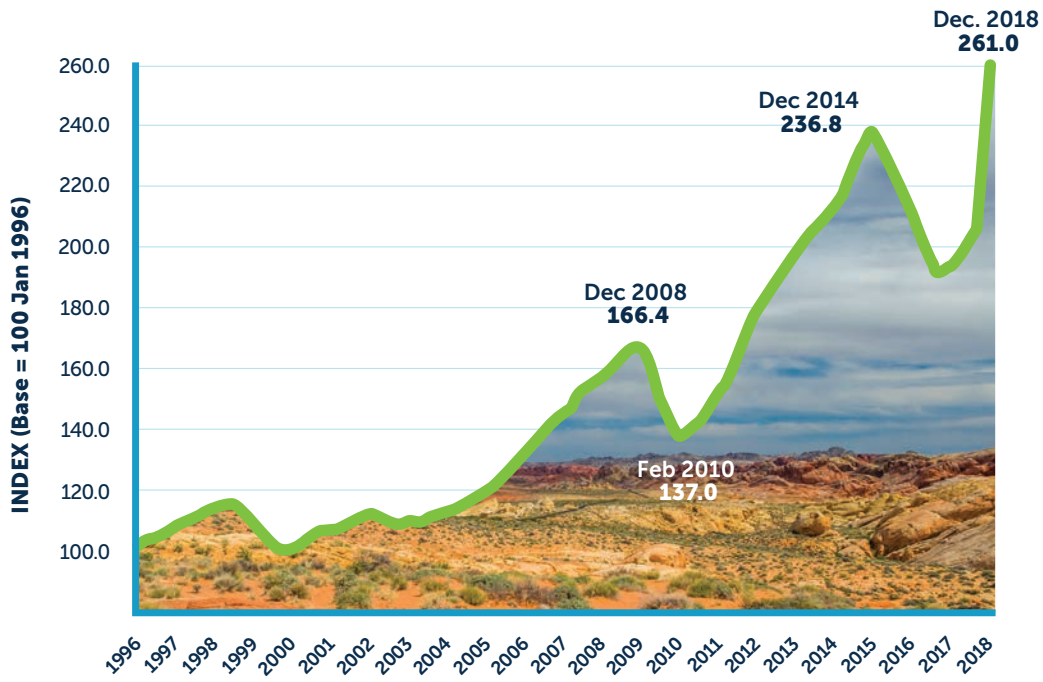
The partnership MDC has with Midland Memorial Hospital is one that we value highly. The health of Midland's citizens is one of the city's most precious assets, and by nurturing our relationship with the hospital, we seek to positively impact the daily lives of Midlanders, by making sure that high-quality health care is available to everyone who needs it. This exemplifies the goals of the MDC to support the city's economy.

“...we seek to positively impact the daily lives of Midlanders, by making sure that high quality healthcare is available to everyone who needs it..”





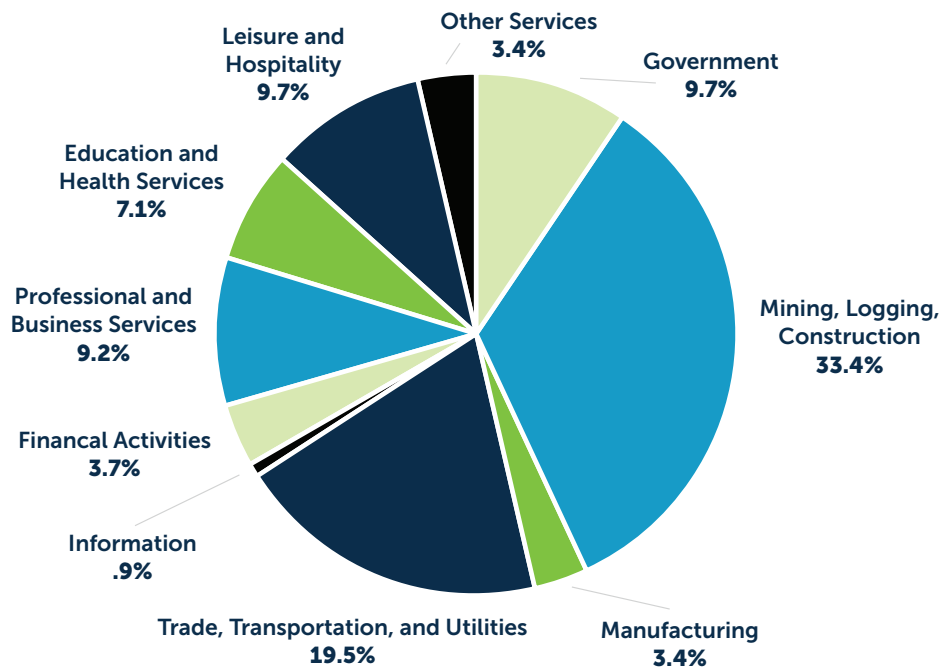
Midland Economic Index 1996-2018



Source: Ingham Economics

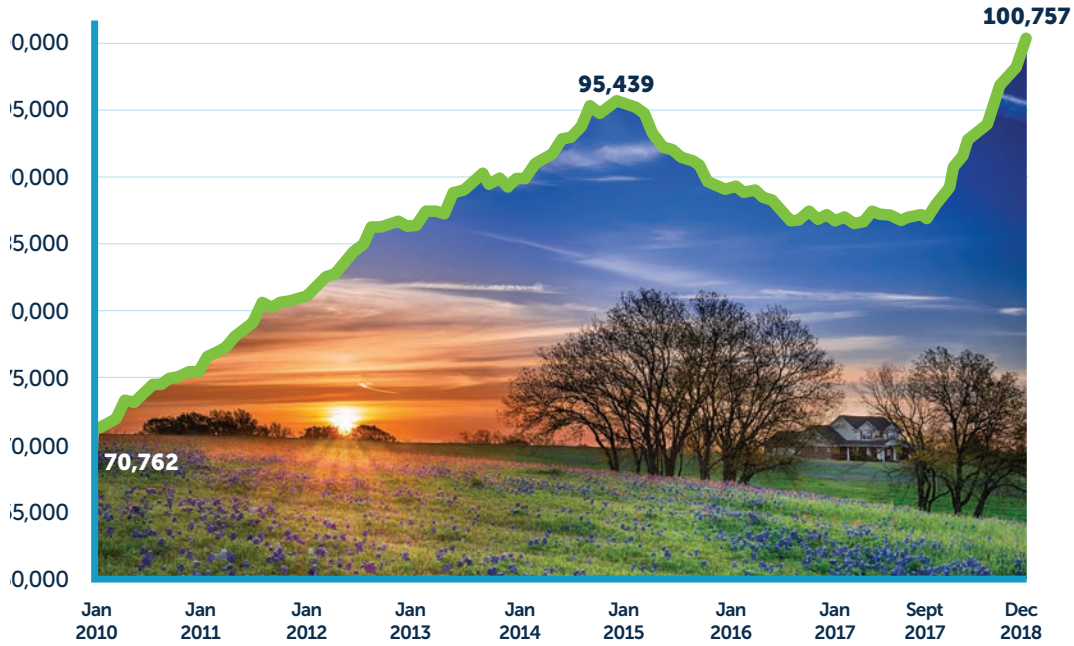
Midland MSA

Percentage of Labor Force Engaged in Each Industry December 2018



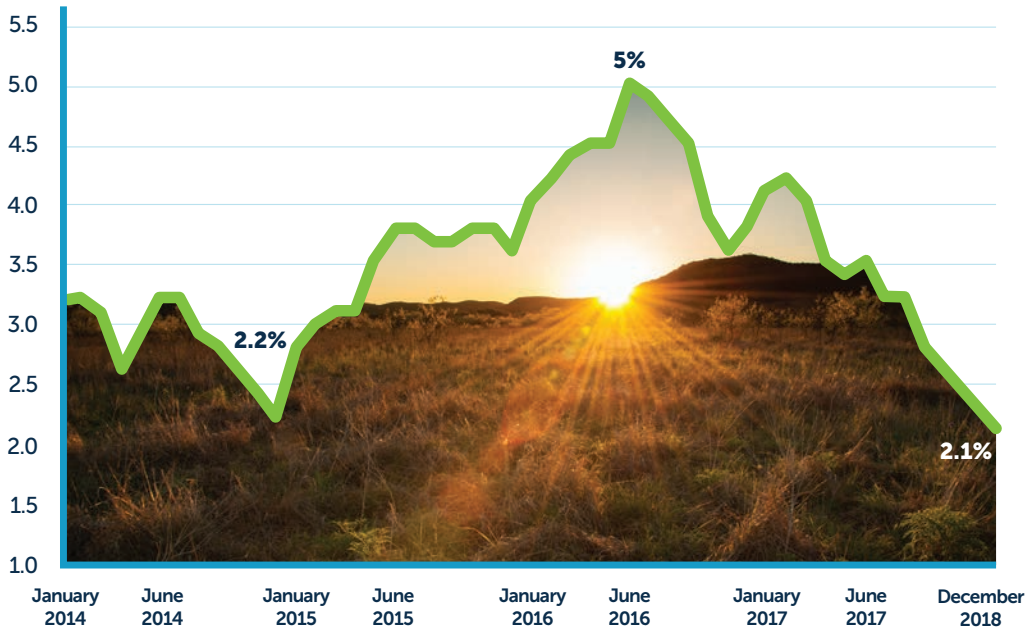
Source: Texas Workforce Commission

Midland Civilian Labor Force



Source: Texas Workforce Commission

Midland Unemployment Rates



Source: Texas Workforce Commission

NEW BRIDGE REFLECTS MIDLAND'S "CAN-DO" ATTITUDE

With many cities vying for new businesses, it is often an unquantifiable community spirit and demonstration of values that tip the scales of decision. And this is precisely what leaders in the City of Midland and the MDC understand. When Midland's work force cannot efficiently commute to work, students safely travel to school, or people regularly access their community centers, businesses look elsewhere. Therefore,

when it was recognized the Carver Street Low-Water Crossing created a divide during periods of inclement weather, they joined forces to create a solution: the construction of a bridge on Carver Street at Midland Draw.

Carver Street is a major roadway that crosses Midland Draw near where Scharbauer Draw and Midland Draw meet. When it rains, Carver Street is often impassible for drivers and pedestrians alike. Even when the

Carver Street crossing is passable, a journey to the MLK Community Center, Lee Freshman High School, or a nearby store can be hazardous. That is because the current crossing lacks sidewalks for pedestrians, and the draw is characterized by poor sight distance for drivers. When the current construction project is complete, a box culvert bridge will be built over the draw at Carver Street with additional improvements such as sidewalks, wheel-chair ramps and



enhanced drainage basins. Plus, a 10-foot-wide concrete pilot channel will be constructed in the bottom of Midland Draw all the way to Fairgrounds Road. This last improvement is to move water more quickly and help the city manage vegetation.

Presently, Midland's ability to attract and retain businesses is limited by its infrastructure, community service and family support capacity. According to District 2 Councilman John B. Love III, "Midland doesn't have problems attracting businesses. We need to expand our ability to support new businesses." He likens Midland's growth as that of a person's growth. "As you grow, sometimes you just need to buy a longer belt."

To form a successful partnership, a project must meet goals of each partner. And this project is no different. For the MDC, it aligns with a stated goal to provide assistance to develop areas of the City of Midland that meet the City's objectives. For the City of Midland, this project satisfies an immediate need for all-weather

mobility and access across Midland Draw. For both, this project is seen as the first of a series of proposed improvements along Midland Draw intended to open up areas east of Fairgrounds Road to commercial development, and to improve work force mobility in east Midland. For business interests, the Carver Street Bridge Project is an example where Midland proves it is open to exploring new ideas and has a "can-do" attitude toward solving problems.

Together, the City and MDC are able to improve connectivity for Midland's work force, provide a solution for a safety concern, improve pedestrian access to local destinations, and enhance drainage for a significant portion of the city. Through this

"...Midland proves it is open to exploring new ideas and has a 'can-do' attitude toward solving problems."

partnership, the City and MDC were able to leverage existing capabilities for an effective solution that benefits all. The City of Midland shouldered the costs of designing and managing construction of this improvement project, while the MDC provided construction funding. By being receptive to new ideas, Midland demonstrates its ability to meet the needs of a growing population.



AST&Science

The MDC has partnered with the space technology company AST&Science to bring their corporate headquarters and satellite manufacturing facility to Midland, to be located in the MDC's 85,000 sq. ft. facility at the Spaceport Business Park. Low-Earth orbit (LEO) satellites will be designed and built at the Midland facility, as part of AST&Science's transformational technology capabilities. The Midland International Air & Space Port's license to launch horizontal craft is essential to the manufacturing, testing, and implementation of the satellites. Initial tests and launches are anticipated to begin in 2019.

AST&Science was founded by satellite-industry pioneer, entrepreneur and inventor Abel Avellan, a 25-year veteran in the global satellite communications sector. He was the founder and CEO of EMC until its sale for \$550 million in 2016. Avellan

is also co-inventor of 18 U.S. patented technologies.

"We're thrilled to announce this partnership with AST&Science," said Brent Hilliard, chairman of the MDC. "Midland gets 160 jobs in a diversified, high-tech industry, and can offer AST&Science a location with access to an airport and licensed space port. The MDC provided a scalable manufacturing location that was a key factor in bringing this new industry to Midland. It's a symbiotic collaboration that makes perfect sense."

AST&Science chairman and CEO Abel Avellan added, "Our revolutionary patented technology will change the way satellites are manufactured, launched and used. From Midland, we will scale up quickly to produce high volumes of low-cost ultra-powerful LEO satellite platforms. This will open up an astonishing range of applications not previously

possible with traditional satellite manufacturing techniques."

The Midland facility will augment AST&Science's existing engineering and manufacturing facilities in Maryland and Europe. The company expects to make capital, personal property, and inventory investments up to \$30 million in the Midland facility over the next five years. Ultimately, up to 100,000 satellite space modules, or Microns, will be manufactured in Midland annually. Microns will be utilized in a wide array of commercial and defense applications.

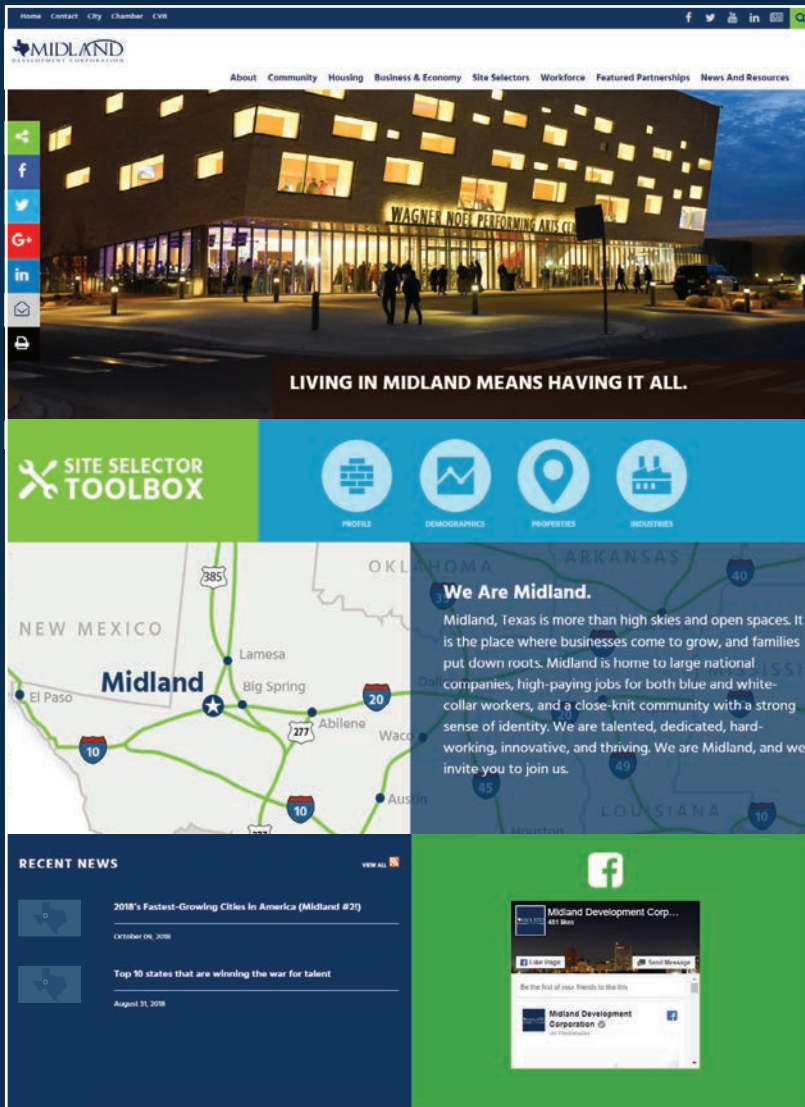


"It's a symbiotic collaboration that makes perfect sense."

SPACEPORT BUSINESS PARK INFRASTRUCTURE







WEBSITE

www.midlandtxedc.com

MDC's website is a wealth of information that is available for citizens, companies, and site selectors.

The Midland economic indicators are a useful and interactive tool that provide monthly figures and statistics.

The "Quality of Place" and "News & Press" pages are updated frequently with pertinent information regarding the happenings in the Midland community.



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