

**Harris County Management Services
Population Study - First Quarter Review/ CIP - June 2010**

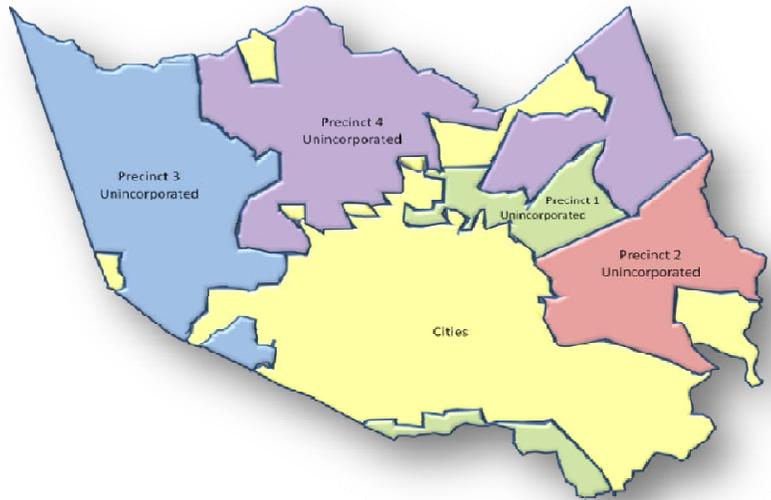
Introduction

This is the tenth report in an ongoing study of population changes in Harris County and their impact on demand for County services. The Census bureau estimates as of July 1, 2009 are included.

Harris County is Growing Fast

Harris County continues to be the nation's third most populous county with an estimated 4.1 million residents as of July 2009 and one of the fastest growing counties in the US with a population increase of 20% since 2000 and 45% since 1990.

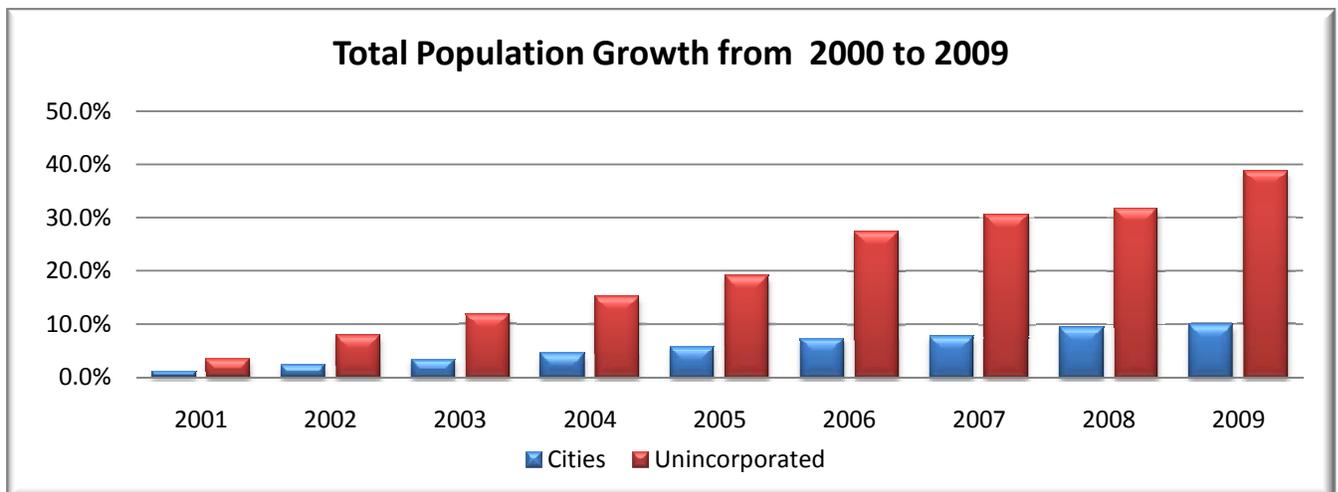
Each of the 4 County Precincts contains significant amounts of unincorporated territory as indicated on the map. The 33 cities including the City of Houston are shaded in yellow and the unincorporated areas are shaded in the other colors.



The following chart shows the estimated population as of June 30, 2009 for cities and the unincorporated area in each of the County Precincts. Nearly half (49.2%) of the unincorporated population live in Precinct 4.

Population	Total	Cities	Uninc.	% of Uninc.
Precinct 1	993,823	785,207	208,616	14.4%
Precinct 2	984,642	804,433	180,209	12.5%
Precinct 3	1,063,195	719,233	343,962	23.8%
Precinct 4	1,029,329	318,362	710,967	49.2%
Total County	4,070,989	2,627,235	1,443,754	100.0%

Population in the unincorporated areas has grown by an estimated 39% (3.7% per year) since 2000 compared to a total growth rate of 10% (1.1% per year) for the cities combined.

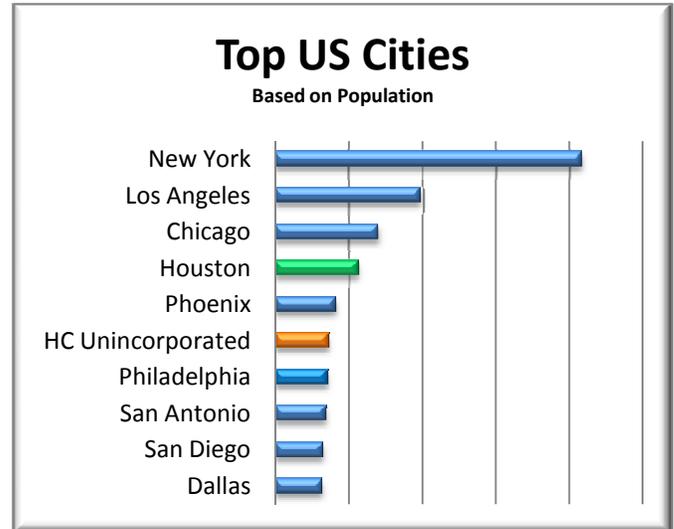


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Population Study - First Quarter Review/ CIP - June 2010**

Harris County is Unique

Harris County is essentially home to the fourth and sixth largest cities in the United States if you consider the unincorporated area as a stand-alone city. Harris County's unincorporated population recently passed the city of Philadelphia which is losing population at the rate of just under 1% per year. Harris County's total estimated population of 4.1 million now exceeds the City of Los Angeles and would rank number 2 if it were a single incorporated city.

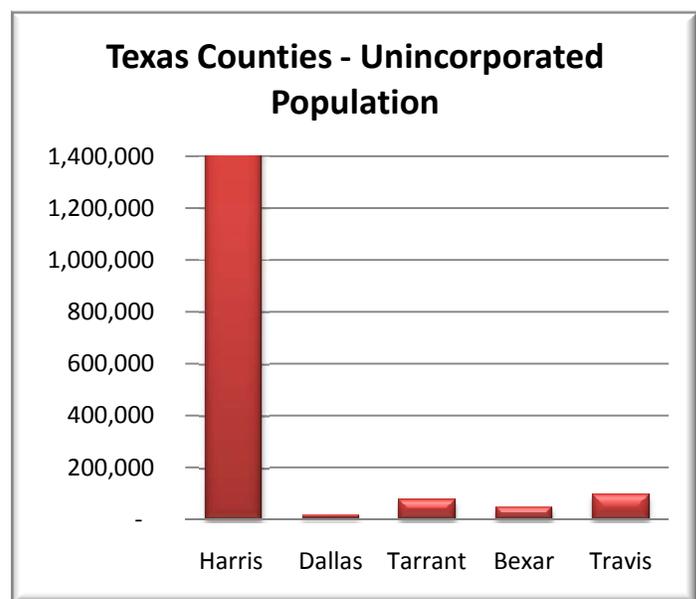
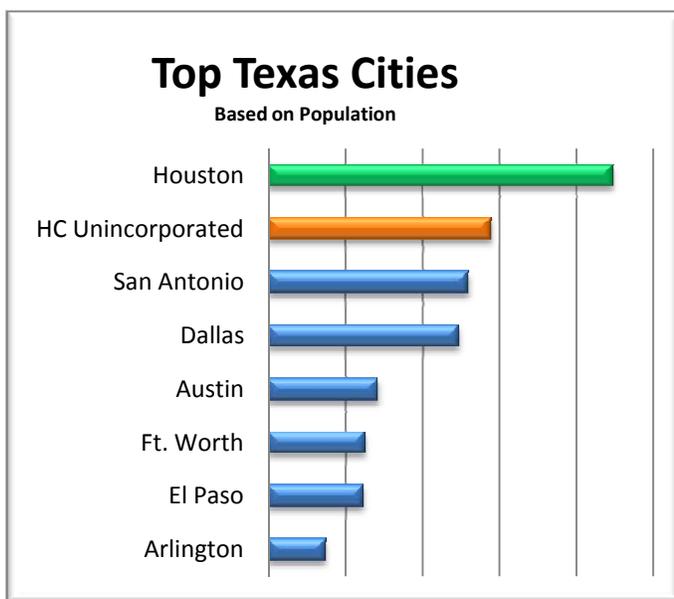
Los Angeles County, with a population estimated at just under 10 million, is the largest county in the U.S. and, like Harris County, has a sizable population living in unincorporated areas. LA County unincorporated population is estimated to be approximately 1 million people or 9% of their population compared to approximately 1.4 million and 35% for Harris County.



Unique in Texas

Harris County is also unique when compared to other counties in Texas. After Harris County, the neighboring Dallas and Tarrant Counties in north Texas are the next most populous at 2.4 million and 1.8 million, respectively. However, neither county has significant unincorporated areas. Dallas County has only about 98 square miles unincorporated with less than 1% of its population living there, while Tarrant County has just over 200 square miles unincorporated containing less than 2% of its residents.

Bexar and Travis County in central Texas are the next 2 most populous counties and both of these counties have relatively large geographic areas that are unincorporated with 546 and 619 square miles, respectively. Despite these large unincorporated areas, these counties had just 5% and 9% of their populations living in unincorporated areas.

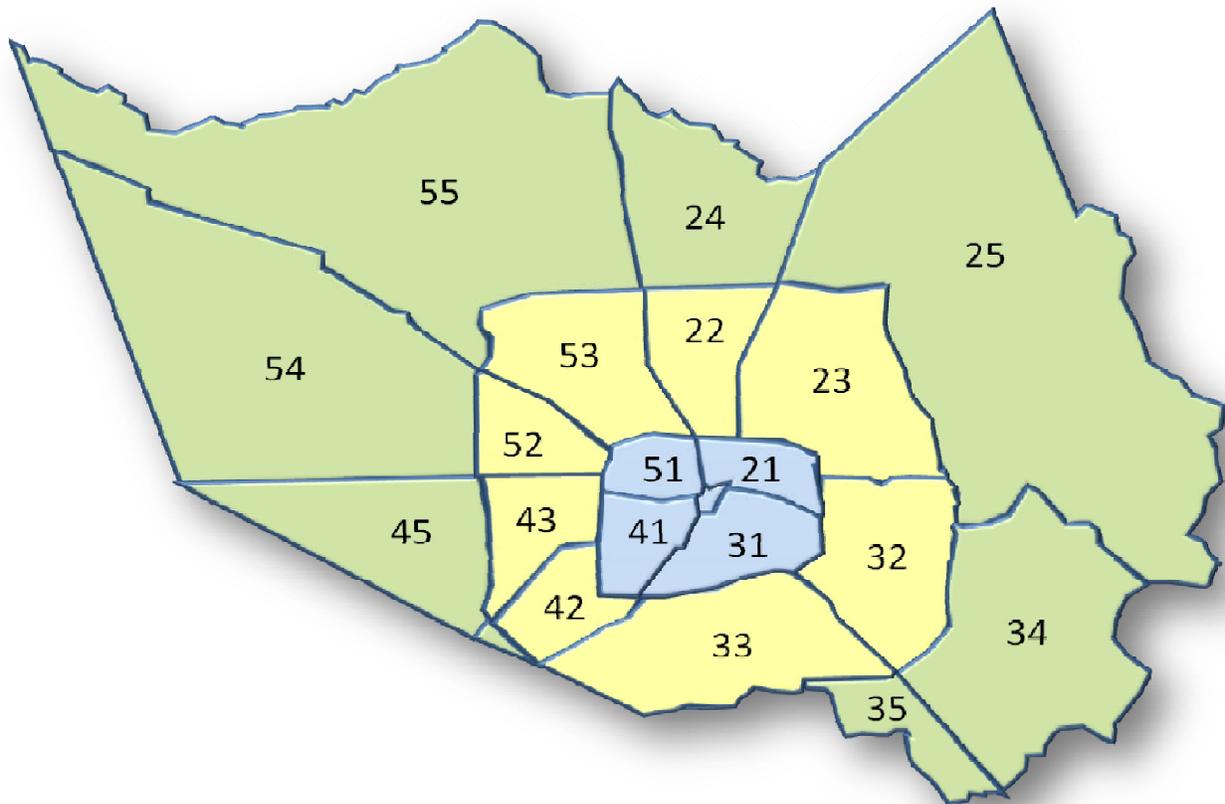


**Harris County Management Services
Population Study - First Quarter Review/ CIP - June 2010**

Harris County Population Growth 1990 to 2009

Spreading Out

Harris County population has grown from 2.8 million in 1990 to 4.1 million in 2009 which is 44% higher with an average annual growth rate of 2.0%. The following map shows the 20 areas of the County based on the census tract numbers used by the Census Bureau.



	1990 Population	2009 Population	Growth	Total Percent	Annual Average
 Inside Loop 610	428,982	538,802	109,820	25.6%	1.2%
 Loop to Beltway	1,281,787	1,710,986	429,199	33.5%	1.6%
 Outside Beltway	1,107,430	1,821,201	713,771	64.5%	2.7%
Entire County	2,818,199	4,070,989	1,252,790	44.5%	2.0%

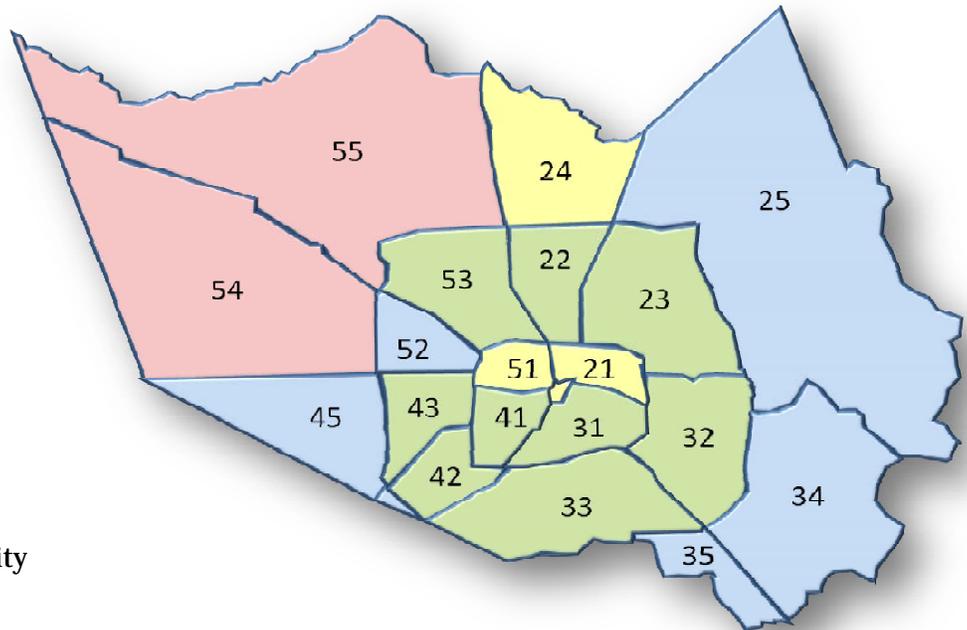
The percentage of the population that lives within Loop 610 has dropped from 15% in 1990 to 13% in 2009. The population between the Loop and Beltway 8 has dropped from 45% to 42% of total County population. The significant growth in population has occurred outside the Beltway which has grown from 39% of the total to 45% of the total County population during this period.

**Harris County Management Services
Population Study - First Quarter Review/ CIP - June 2010**

Trends by Area of the County

The following map and data are by groups of Census Tracts. Tract 54 is the fastest growing area having more than doubled in number of residents since 1990.

Tract 55 had the highest growth in total population with over 215,000 new residents since 1990. With a population of over 485,000, this one section of Harris County has more population than the city of Arlington, which is currently the seventh largest city in Texas.



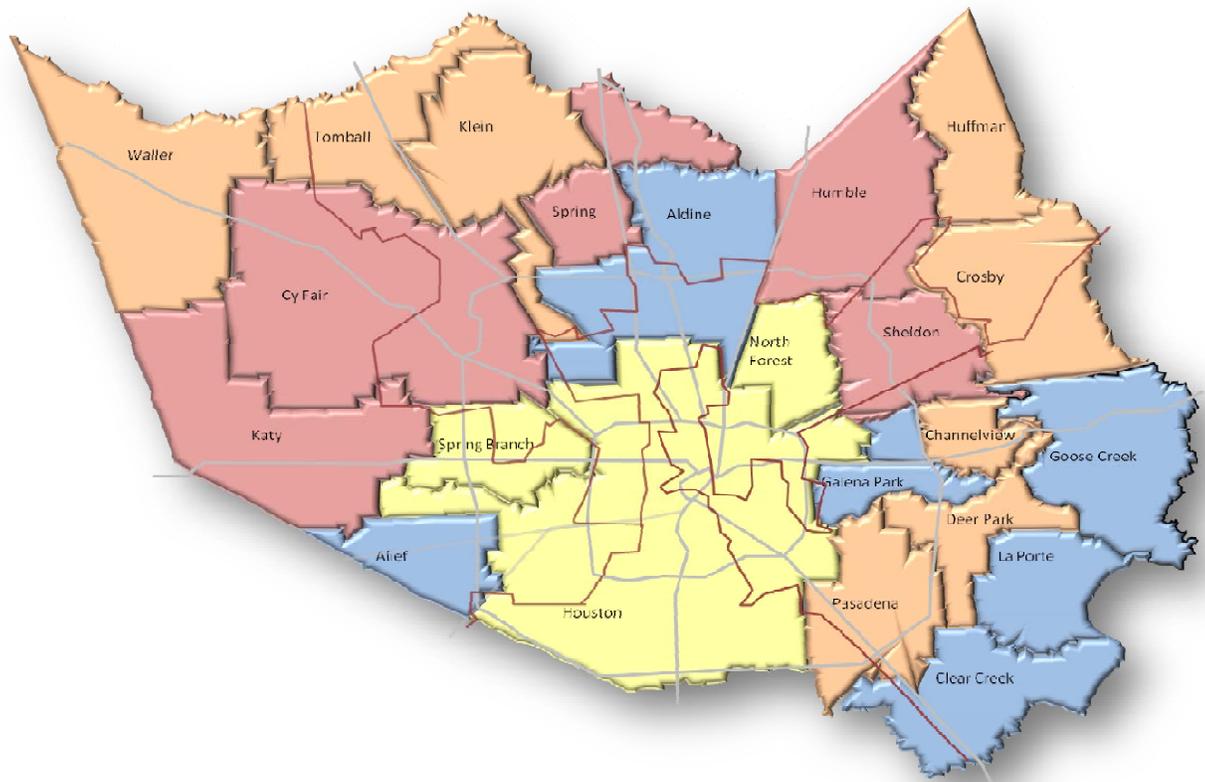
Census Tract Group	1990	2009	Change	Percent	Annual %
10	7,005	6,681	(324)	-4.6%	-0.2%
21	82,060	94,730	12,670	15.4%	0.8%
31	164,560	210,617	46,057	28.0%	1.3%
41	106,766	146,823	40,057	37.5%	1.7%
51	68,591	79,951	11,360	16.6%	9.0%
Inside 610 Loop	428,982	538,802	109,820	25.6%	1.2%
22	132,054	183,821	51,767	39.2%	1.9%
23	179,196	230,197	51,001	28.5%	1.4%
32	166,368	214,121	47,753	28.7%	1.4%
33	172,204	222,826	50,622	29.4%	1.4%
42	172,331	234,760	62,429	36.2%	1.7%
43	165,235	230,948	65,713	39.8%	1.8%
52	106,780	150,573	43,793	41.0%	1.8%
53	187,619	243,740	56,121	29.9%	1.4%
Loop to Beltway	1,281,787	1,710,986	429,199	33.5%	1.6%
24	72,284	98,393	26,109	36.1%	1.6%
25	212,651	326,008	113,357	53.3%	2.3%
34	145,410	218,602	73,192	50.3%	2.2%
35	46,756	71,787	25,031	53.5%	2.3%
45	242,273	378,558	136,285	56.3%	2.4%
54	120,428	242,361	121,933	101.2%	3.7%
55	267,628	485,492	217,864	81.4%	3.2%
Outside Beltway	1,107,430	1,821,201	713,771	64.5%	2.7%
Entire County	2,818,199	4,070,989	1,252,790	44.5%	2.0%

**Harris County Management Services
Population Study - First Quarter Review/ CIP - June 2010**

School Enrollment Trends

The following shows the total student enrollment for each of the public school districts in Harris County comparing the 2009-10 school year with the 2000-01 year.

West Side Districts		Central Districts		Northeast Districts		Southeast Districts	
District	Growth %	District	Growth %	District	Growth %	District	Growth %
Cy-Fair	54.3%	Aldine	17.7%	Crosby	24.9%	Deer Park	10.5%
Katy	57.3%	Alief	4.2%	Huffman	19.8%	La Porte	1.0%
Klein	31.0%	Galena Park	11.3%	Humble	37.9%	Clear Creek	19.8%
Spring	44.1%	Houston	-3.9%	Sheldon	61.5%	Pasadena	20.1%
Tomball	33.5%	North Forest	-34.6%			Goose Creek	14.3%
Waller	18.8%	Spring Branch	-0.2%			Channelview	23.0%
<i>Average</i>	<i>47.2%</i>		<i>0.3%</i>		<i>37.8%</i>		<i>17.2%</i>
Total Enrollment							
2000-2001	175,977		371,662		36,052		119,029
2009-2010	258,999		372,821		49,679		139,450
Change	83,022		1,159		13,627		20,421



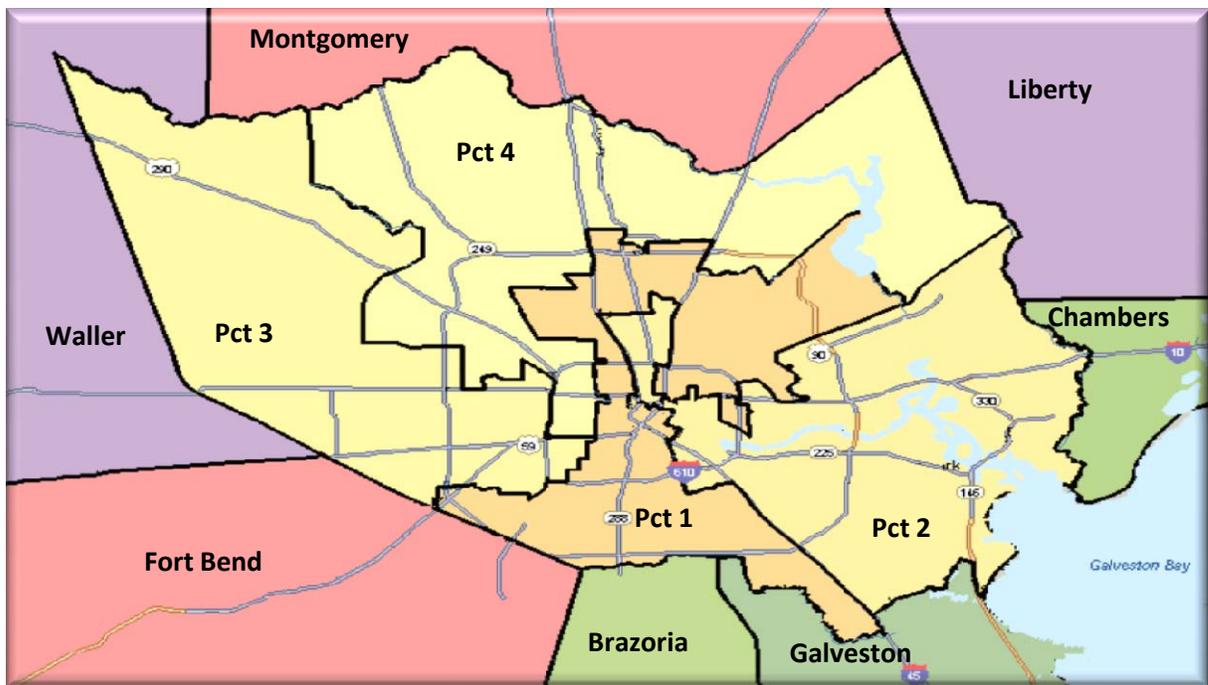
The 4 largest school districts in the western half of the County (Katy, Cy Fair, Spring and Klein) had 164,000 students enrolled 8 years ago which increased to over 244,000 this past year. These districts had only 78% as many students as HISD in 2001. Now they have 21% more students than HISD. Cy Fair alone has grown from 68,000 students in 2001 to 104,000 students enrolled in 2009, representing an increase from 32% of the size of HISD to 52% in 2009. If these trends continue, Cy Fair could become the largest school district in the County by the year 2020.

**Harris County Management Services
Population Study - First Quarter Review/ CIP - June 2010**

Growth of Surrounding Counties

Harris County sits at the center of a dynamic region. The 7 adjacent counties have experienced the same 38% growth in population as the unincorporated area of Harris County from 2000 to 2009.

A significant number of the new residents of these surrounding Counties actually work in Harris County, either by commuting to downtown Houston or to one of the growing number of suburban business centers. The two fastest growing counties, Fort Bend at 57% and Montgomery at 53% now have a combined population of just over 1 million compared to just over 600,000 in 2000. These 2 counties have significant traffic flow to support toll roads into Harris County. Galveston and Brazoria Counties each have around 300,000 in population and have grown by 17% and 27%, respectively, since 2000. The smaller counties of Liberty, Chambers and Waller have grown by an average of 10% from 2000 to 2009.



The growth of the Harris County Toll Road system has contributed to the rapid growth in the unincorporated areas of the County as well as the surrounding counties. The Sam Houston Tollway has created increased mobility in the outlying areas of the County as have the new Fort Bend system, the Westpark Tollway and the Hardy toll road.

Increased mobility will continue to be a factor in the growth of new single and multi-family housing, retail centers and commercial development in the unincorporated areas.

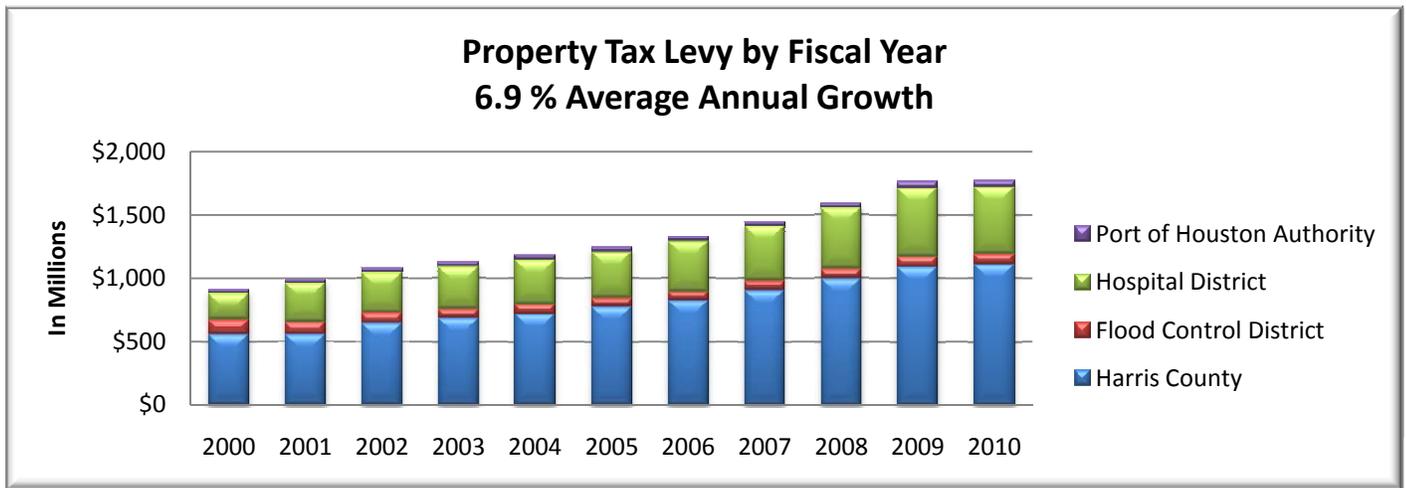
As these outlying communities continue to grow, there is increased demand for businesses to move to these suburban areas along with the development of retail outlets and grocery stores. Harris County is requested to provide roads, flood control, parks and county service annexes. Also, there are calls for increased law enforcement, fire safety inspections, libraries, public health, and other public services.

**Harris County Management Services
Population Study - First Quarter Review/ CIP - June 2010**

Sources of Revenue - Property Tax Levy

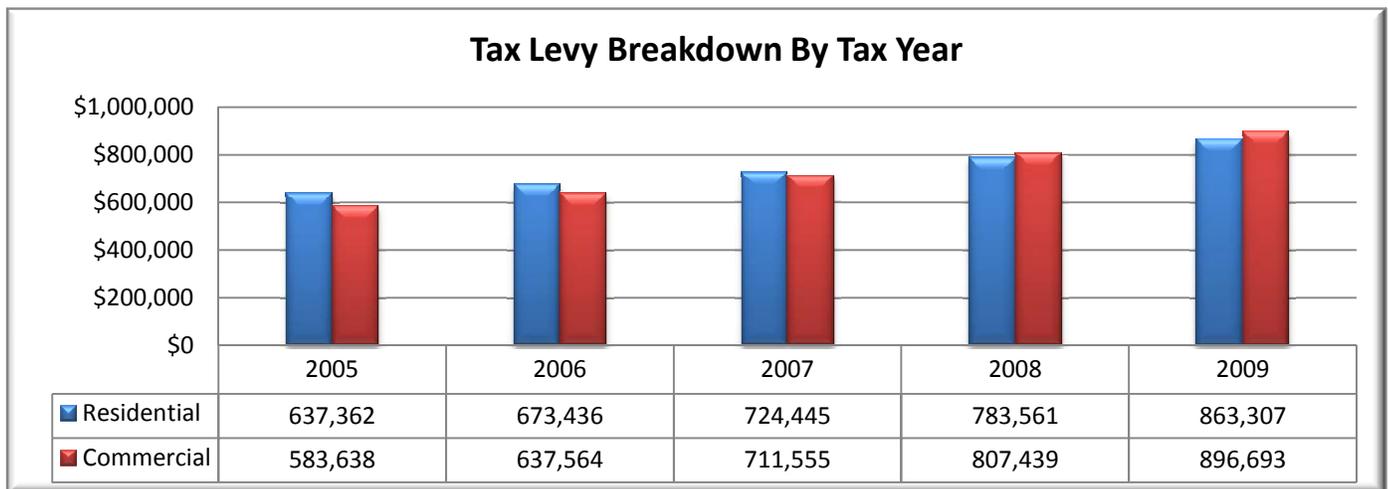
Harris County relies on property taxes as its primary source of revenue to fund general operations and debt service. The city of Houston and other cities located in the County receive both property taxes and sales taxes to fund their operations.

The following shows the property tax levy for Harris County and the 3 related taxing jurisdictions for which Commissioners Court sets tax rates, the Flood Control District, the Port of Houston and the Harris County Hospital District. The tax levy for fiscal year 2010 was up less than 1% versus fiscal year 2009 dropping the average annual rate from 7.8% last year to 6.9% for the 10 year period. The overall property tax rate for these jurisdictions has remained unchanged for the last few fiscal years.



Residential Property Taxes

Property taxes in Harris County are levied on residential taxpayers including owners of single family and multi-family homes and on business owners for commercial real estate and business personal property. The following chart shows how the burden of property taxes have been shifting from residential property to commercial property over the last 5 years:

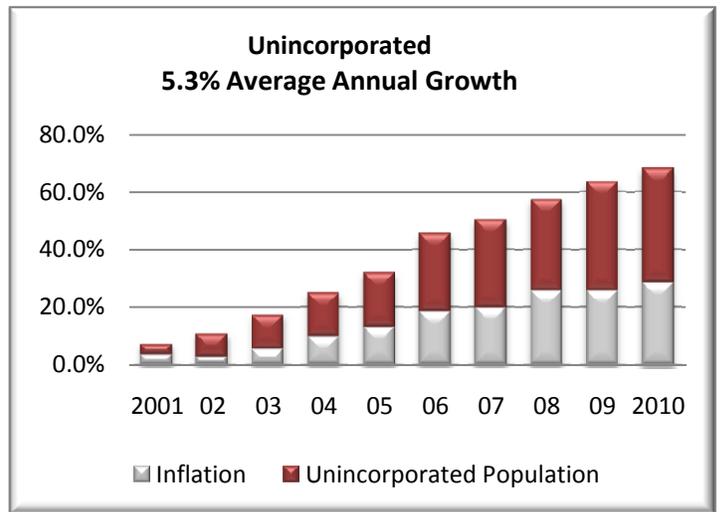
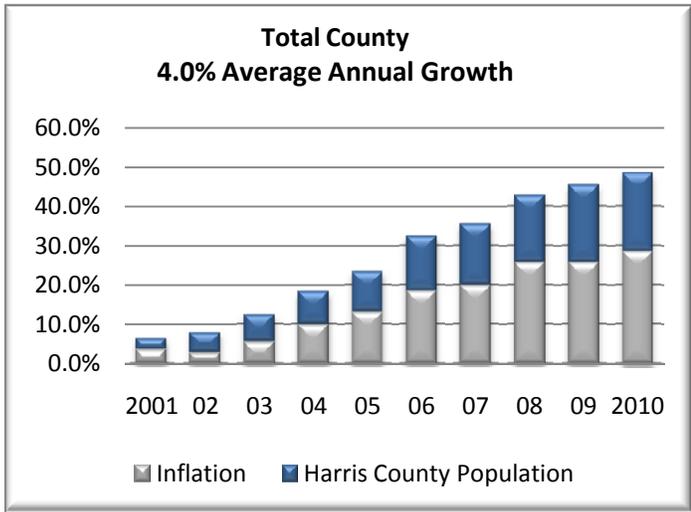


The tax levy for residential property has dropped from 52% of the total in 2005 to 49% in 2009.

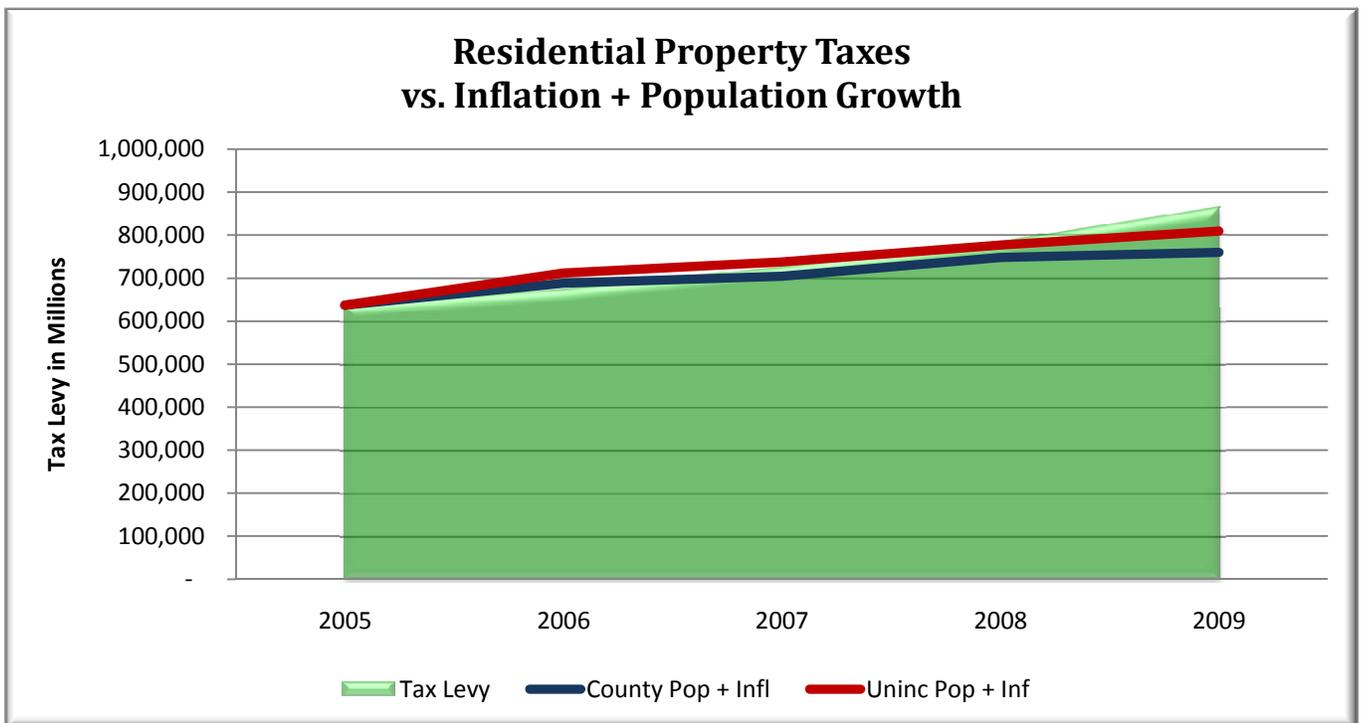
Harris County Management Services
Population Study - First Quarter Review/ CIP - June 2010

Inflation plus Population Growth

The United States Bureau of Labor Statistics publishes consumer price index data by Metropolitan Service Area (MSA). The CPI for the Houston-Baytown-Sugar Land MSA shows total inflation of 28.3% from 2000 to 2010. The following charts show inflation plus population growth since 2000 for both the entire Harris County and for the unincorporated areas of the County using the local area MSA rate of inflation.



The following graphs compare the actual property tax levy related to residential properties for the 4 Harris County jurisdictions (County, Flood, Hospital, Port) to the amount that would have been levied on residential properties if the taxes had been tied to the rate of inflation plus the rate of population growth for both the total county population and for the unincorporated area population.

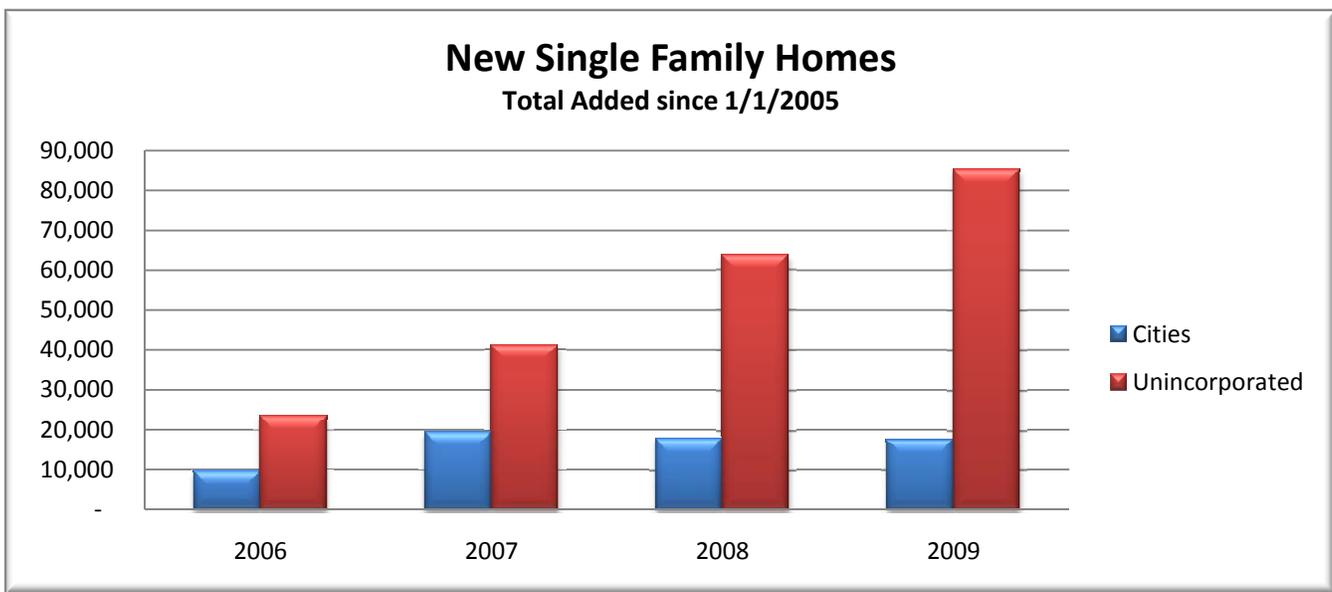


**Harris County Management Services
Population Study - First Quarter Review/ CIP - June 2010**

Harris County Appraisal District Data

The Harris County Appraisal District (HCAD) is one of the best sources of information used by the Census Bureau and others to estimate population growth in the years between actual census counts. Since January 1, 2005, the number of single family homes in the unincorporated areas of the County has increased by 85,890 homes or 25%, while single family homes in Houston and the other cities have only increased by 17,460 homes or 3%. Overall, 83% of homes added since 2005 are in the unincorporated area. The HCAD data is shown below:

Single Family Homes	Tax Yr 2005	Tax Yr 2006	Tax Yr 2007	Tax Yr 2008	Tax Yr 2009	Added since 2005
City of Houston	445,842	453,628	459,553	453,999	453,054	7,212
Other Cities in H.C.	112,699	114,326	118,350	122,200	122,947	10,248
Total Cities	558,541	567,954	577,903	576,199	576,001	17,460
Unincorporated Area	343,634	367,107	384,726	407,353	429,524	85,890
Total County	902,175	935,061	962,629	983,552	1,005,525	103,350



Single family homes represent 55% of all residences in the cities in Harris County versus 85% of the residential households in the unincorporated areas yielding an overall 63% countywide. Multi-family homes including apartment complexes, duplexes and similar housing have not grown in numbers since 2005 according to the HCAD data. Apartment occupancy rates in Houston and Harris County jumped to over 94% in 2006 due to Hurricane Katrina relocations but the occupancy rates have dropped back below 90% with 89% in 2008 and 86% for 2009.

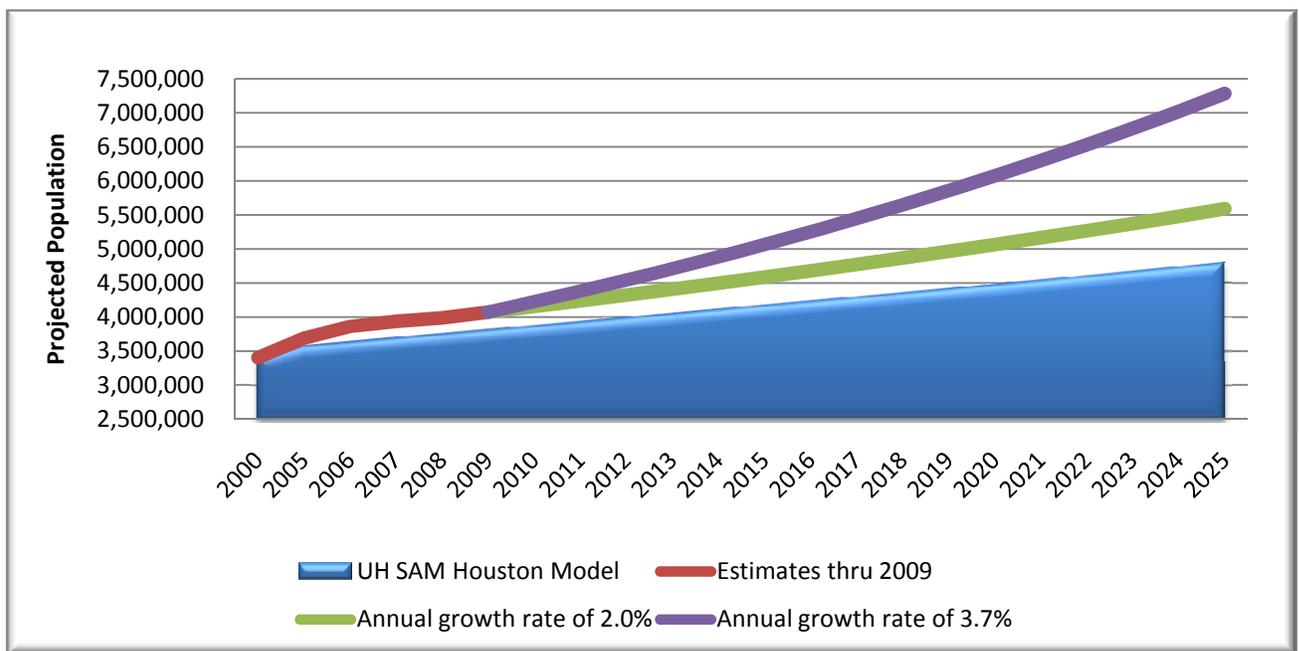
Most of the growth in population for Harris County has been new single family homes, primarily in the unincorporated areas and this trend will likely continue until the County runs out of space to build new neighborhoods. Based on HCAD data, there is enough undeveloped acreage in Harris County to support continued growth in single family residences at the current rates for at least 20 more years. This report will be updated for 2010 data when it becomes available in the fall 2010.

Harris County Management Services Population Study - First Quarter Review/ CIP - June 2010

Looking forward to 2025

Harris County is expected to continue experiencing high growth in unincorporated areas and stable growth within the city of Houston and other cities. In 2006, a study was conducted by Dr. Steven Craig at the University of Houston which developed a model called SAM-Houston. SAM stands for Small Area Model which forecasts growth by census tract.

In a report dated September 28, 2006, Dr. Craig and his team projected population and employment growth by census tract through 2050 for Harris County. Harris County's total population has already grown faster than these estimates. The following chart shows original estimates along with the actual growth through 2009 and projected population growth at the overall county growth rate of 2% per year and the unincorporated growth rate which has averaged 3.7% per year since 2000.



If these growth trends continue, the total population of Harris County will grow to between 5.5 million and 7.3 million people by 2025. Unless cities annex more unincorporated areas or new cities are formed in these areas, the unincorporated population will exceed 2 million by 2020. The number of single family homes in unincorporated areas will pass the number in the cities by 2016 if the last four year trend continues.

Harris County government provides much of its services to residents throughout the County including people living in Houston and surrounding cities and towns. There are some services, such as law enforcement and public safety, public health and animal control that are provided primarily to the unincorporated areas of the County.

While nothing is certain, all indications are that Harris County will continue to experience significant growth throughout the County in all 4 County Commissioner precincts and especially in the unincorporated areas. The demand for infrastructure to support this growth, as well as increased demand for services such as law enforcement and health care, will make it necessary to maintain adequate sources of revenue for budgetary purposes.