

The Woodlands History

THE WOODLANDS, THE INSIDE STORY OF CREATING A BETTER HOMETOWN

By Roger Galatas

Development Starts

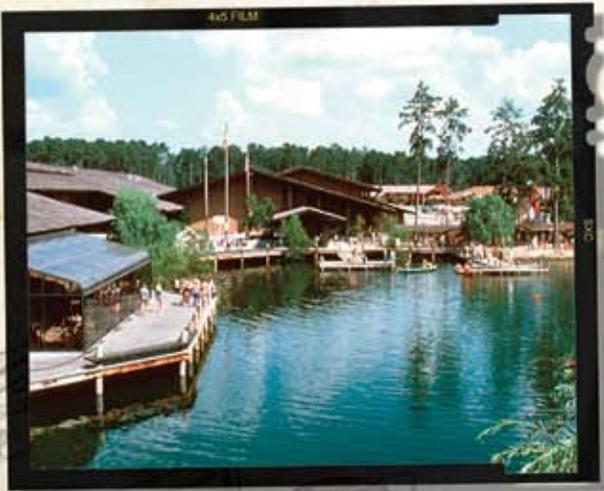
The long wait was finally over. By 1972, the land for The Woodlands was assembled, all 17,455 acres. Final approval from the Department of Housing and Urban Development (HUD) had come through. In September of 1972, the \$50 million in The Woodlands Corporation debentures guaranteed by HUD were sold to the public with proceeds of the sale deposited in a fund with Chase Manhattan Bank as trustee. Now all George Mitchell had to do was build The Woodlands. It proved to be much more difficult, and expensive, than anyone had anticipated. In the end, the cost of building this new town would require Mitchell to pledge his personal fortune to keep the new town solvent. There were, as we shall see, a number of problems.

Mitchell needed people with hands-on experience to change The Woodlands

from a plan to reality. Few were available locally. He reached out to experienced executives from other major new town developments in the United States. Mitchell was impressed with the talent he found in the new town of Columbia, Maryland, and at the Irvine Ranch in California, and sought to establish a team with similar characteristics. He made overtures to key executives at Columbia and successfully recruited a number to serve as initial senior executives of The Woodlands Development Company, and they immediately started hiring colleagues from Columbia to help run the operations. To long-term employees of Mitchell, these new hires soon became known as The Columbia Boys. Mitchell hired so many people from Columbia that its developer, Jim Rouse, had his lawyer call Mitchell and threaten a lawsuit if he did not stop.

In the fall of 1972, construction started on Grogan's Mill, the first village. A number of decisions made at the time caused a financial crisis at The Woodlands two years later; one that came close to sinking not only the real estate project but also its parent company.

The Columbia Boys had seen how spending up front for amenities in that community had brought in early sales from dazzled potential homeowners. They set out to duplicate that effort in The Woodlands. Mitchell's board of directors was persuaded to spend huge amounts on construction beyond that necessary to prepare land and lots for sale in The Woodlands. That was in addition to the spending called for under the loan agreement with HUD. The projects included a 335-acre commercial, conference and



The Wharf and Conference Center

Completed in late 1974, The Wharf and Conference Center, including its golf facilities, served as the early signature feature of The Woodlands, establishing the new community's identity in the region. The Glass Menagerie Restaurant, a glass-enclosed space on the conference center's lakefront, was an upscale restaurant owned by The Woodlands Corporation.

Information Center

The original Information Center under construction in the Village of Grogan's Mill in 1973. Design by Benny Gonzalez, Scottsdale, Arizona. Its structural concept emulated a large egg opening to give birth to the new community.



leisure center that contained extensive shopping, commercial, office and recreation facilities including a large swim and athletic center, the 200-room Woodlands Inn, an 18-hole golf course, an information center for prospective buyers and a 15-acre lake. The expanded construction also required building almost two miles of major thoroughfares through undeveloped land to connect the Grogan's Mill Village Center to interchanges at Interstate 45.

This extensive front-end development allowed The Woodlands to open with enormous impact that really differentiated it in the market place and made it a big time player in the emerging "new town" development initiative sweeping the nation. But there were plenty of problems that came close to causing The Woodlands to be stillborn. Development cost overruns, lack of financial controls, overstaffing, excessive use of consultants and contractors, a major dispute with HUD over project funding and excessive rainfall plus snow and freezing conditions in 1972, slowed initial construction schedules. In short, the company's ability to pay its bills was strained to the breaking point. On opening day in 1974, The Woodlands was in deep financial trouble.

And there was definitely a clash between the energy employees at Mitchell and the less disciplined Columbia Boys with their partying ways that were usually charged to the company's account. One observer remembering those partying ways said they lived by the creed, "Life is uncertain; eat dessert first." This did not foster a productive working relationship between the energy and real estate divisions.

Finally in 1975, George Mitchell stepped in to bring financial stability to The Woodlands. He reduced the staff from 365 to 160 and replaced his senior real estate executive with an executive from the energy company who, in turn, threatened to put a chain across Woodlands Parkway and shut down the development; George soon replaced him too. Mitchell took extraordinary steps in re-structuring the company's real estate debt obligation. He pledged

The Woodlands Swim and Athletic Center

One of the first amenities in the new community, was an Olympic-quality aquatic training center, The Woodlands Swim and Athletic Center. The Russian aquatic team practiced at the Center prior to competition in the Atlantic Olympic games. Gold medal winner Laura Wilkinson and a generation of aspiring youngsters trained here. The Center has been razed to make way for apartment development.



his personal stake in Mitchell Energy to secure corporate obligations to HUD and Chase assigned a banker to vet corporate expenditures on The Woodlands.

These circumstances were brought into focus in 1973 by an event thousands of miles away. Troops from Egypt and Syria invaded Israel in what came to be known as the Yom Kippur War. Israel managed to defeat the invaders but in the wake of that war, OPEC cut off oil shipments to the West. OPEC demanded, and got, much higher prices for their exports. With long lines at gas pumps and skyrocketing prices, few people were interested in buying a new home in The Woodlands. That 27-mile distance from downtown Houston jobs seemed a long way to drive.

Fortunately for Mitchell and The Woodlands, the same energy shortages and skyrocketing prices that caused home sales to plummet also brought increased profits for Mitchell's oil and natural gas business. This provided a greater source of capital to fund the company's real estate and energy ventures. According to one involved observer, "The Arabs saved The Woodlands. If we had not had that oil boycott, we might not have survived."

Business started picking up in 1975 as the national economy improved. During 1976, new home sales jumped to 773. The year also saw the leasing of substantial office, commercial and industrial space. From that point, The Woodlands went on to be the growth leader in the Houston region.



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Roger Galatas is the former president of The Woodlands Corporation and the author, with Jim Barlow, of the popular book, The Woodlands, The Inside Story of Creating a Better Hometown. For more information, please visit www.rgiwoodlands.com.