

- As more “subdivisions” connected to county roads “retail strip centers” sprang up and traffic became a problem leading to unattractive sprawl.
- This chaotic suburban growth coupled with a more thoughtful national trend in urban planning paved the way for the introduction of large scale master communities in the Houston region.
- Developers could establish market based, quasi-zoning and development standards imposed by deed restrictions provided an enhanced quality of community development in a more timely and cost effective framework than would have been the case with imposition of typical zoning.
- Currently Master Planned Communities capture approximately 30% of new home development and sales in the Houston region compared to the national average of somewhere in the 5% range. In times of economically challenged markets Master Planned Communities have captured up to 50% of the new home residential market based on the move to quality in times of uncertainty.

Why a Master Planned Community?

Master Planned Communities offer the opportunity to achieve the common sense balance among often competing objectives.

- Environmental Conservation
- Economic Benefits for the Public Sector
- Financial Success for the Project
- Enhanced Quality of Life for Residents

Large-scale communities are very long term commitments of land, capital and human resources.

They are more successful when undertaken by a well-capitalized, experienced, master developer.

It has been my experience that Master Planned Communities:

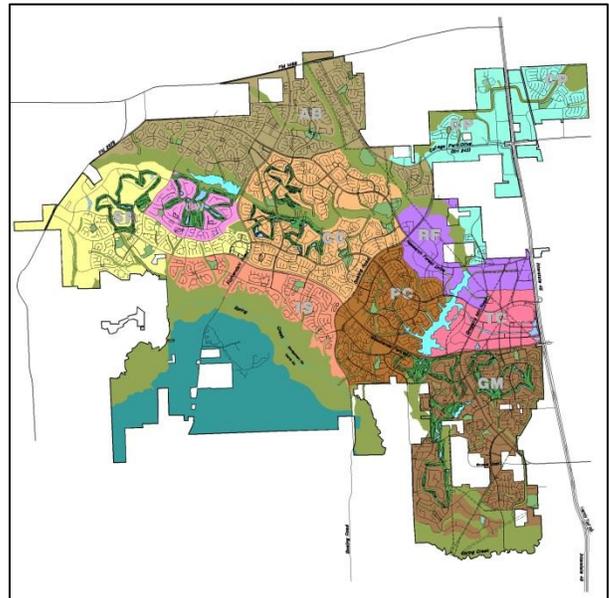
- Are a more efficient use of Land.
- If properly nurtured in early years, they can make positive contributions to the fiscal well-being of taxing authorities.
- Create a quality of life/quality of place that tends to attract economic expansion and job growth in the community and its adjacent region.

- Offer benefits, but not without some significant financial risks that must be understood and managed.

Let's now turn to "The Woodlands Story" and Lessons Learned

The Woodlands held its grand opening on Oct. 19, 1974. It was one of the thirteen planned communities approved for financial support under the Housing and Urban Development Act of 1970 which provided certain loan guarantees that could be used by developers of Master Communities to fund initial development under rather strict rules and conditions. Of the thirteen communities who received similar financial support The Woodlands was the only Planned Community to repay all of its obligations under the HUD agreement.

In my judgment and the judgment of many others, the single most important factor in the success of The Woodlands was its founding developer George Mitchell. His vision, tenacity, compassion, charitable nature and willingness to take financial risk all combined to define the George Mitchell I knew and had the great opportunity to work with for 20 years.



- Mitchell traveled the U.S as a member of YPO in the 1960's and saw social unrest and economic decline in several major cities. He wanted to develop a "solution" for the Houston region and saw the Master Planned Community as an example for residents to enjoy and a model for others to utilize.
- Mitchell acquired the land (initially 17,500 ac and expanded to 28,000 ac), retained an architect (Carl Kamrath), an environmental planner (Ian McHarg- *Design with Nature*) and other noted professionals to help with the early community plan.
- He recruited the initial professional team (many from Columbia and Irvine Ca.) and stayed actively involved until the entire property was sold in 1997 to Crescent Real Estate Equities and Morgan Stanley for \$545,000,000 in an all-cash transaction.

- Mitchell was a community builder, not just a developer of lots and commercial property. He understood the need and demanded quality of design and development.
- Even after Mitchell sold his interest in The Woodlands he continued to live in the community and have an active interest in its development. He sold it, got paid for it, still had a sense of ownership and freely expressed his opinion as to how the development should proceed!



Community Development Strategy Under Mitchell

- When The Woodlands opened in 1974 the total population in Montgomery County (where the community was located) was less than 50,000 so the initial development program was directed to building roof tops with commercial development to come later as population grew. The original 17,500 acres was planned to include six residential villages of approximately 2,000-3,000 ac each and to reserve approximately 1,200 acres for future development of Town Center and related Research Forest designed to attract startup technology companies. Twenty-five percent of the total acreage in the community would be reserved as open space.
- Residential Villages are each planned to accommodate a population of 10,000-15,000 residents and include a range of housing choices arranged in walkable neighborhoods connected by an extensive pathway system to village amenities including a grocery-anchored Village Center, public schools, places of worship, parks and adjacent neighborhoods; a “people friendly environment”. Each village offers a comparable range of residential living choices and amenities—there is no “rich” village nor “poor” village, all share in “quality of community”.
 - ✓ As of January 1, 2015 resident population in the community was 110,000 living in approximately 45,000 dwelling units including 33,000 sf homes,

8,000 apartments (including assisted living units) and 3,700 attached units.

- ✓ The job/housing ratio was 1-3 indicating a reverse commute pattern is emerging (not unlike Orange County Ca. in the 1970's).

- Town Center – Mitchell and his team planned, and did in fact, reserve the prime 1,200 acre tract of land that flanked I-45 for development of a “commercial district” that would become the regional destination for all of North Houston, serving the 1 million people who today live within 20 miles of The Woodlands. Our original planners sought to avoid the problems associated with non-residents driving through established residential neighborhoods to get to shopping areas or job locations. Town Center’s location on I-45 made it accessible to both the region’s population and the residential villages of the new community. Today there are approximately 22 million square feet of office, retail, hospitality, entertainment, residential, hospital and festive event space in The Woodlands including such major corporate tenants as Anadarko, Chevron Phillips, Memorial Hermann Hospital, Hughes Christensen, Hewitt Associates, CBI and the Marriott Waterway Hotel and Convention Center. A major unifying amenity is the Waterway, modeled after the River Walk in San Antonio that extends through the center. A critical turning point in commercial expansion came with construction and opening of The Woodlands Mall, a joint venture structured by Sears and The Woodlands Development Company in 1994, growth and value has accelerated since that opening. (See the attached illustration entitled “*The Woodlands Town Center* showing the sequence of development.)
 - ✓ As of January 1, 2015 the community includes approximately 22 million square feet of retail, hospitality, general commercial and office space with the majority of that square footage either located in Town Center or in other portions of the community supported in part by the impact of Town Center commercial development.
 - ✓ Non-residential assessed property value was \$4.1 billion as of the first of 2015.
 - ✓ Residential assessed property value was \$12.2 billion for total assessed property value of \$16.3 billion.
- Research Forest- Mitchell recognized that the Research Forest could capture a share of value that came from the commercialization of discoveries made at Houston famed

Texas Medical Center and from other major research institutions. The objective was to capture the high-value jobs found among companies dedicated to capitalizing on the commercialization of such research to benefit job growth of The Woodlands. Our models were Silicon Valley, Route 128 in the Boston area, and Research Triangle in North Carolina. Mitchell stepped up to help establish a source of venture capital funding to attract and support growth of startup companies. We constructed buildings tailored to the needs of startup companies and provided favorable lease terms. While the Research Forest is at least a qualified success, standing alone it has not generated the anticipated benefit. There was an unexpected factor that has hampered its growth. Successful companies often don't stick around. Often those who develop a successful product face many more years of development and millions more in expenses before it can get the product to market and are often purchased by giant companies and moved to more favorable corporate locations.

- ✓ While the more ambitious plans for Research Forest did not fully materialize, none the less significant, office development has occurred upon lands originally planned to accommodate research uses. Most notable is the recent development and opening of the upscale office/retail/residential Hughes Landing along the shore of Lake Woodlands by the current owner, Howard Hughes.
- Community Building Blocks- Through the years market surveys were conducted with residents and prospective customers. The survey results helped confirm, shape and improve the community building blocks, although our fundamental development principals remained in place. Following is a partial list of building blocks suggested by the survey that have had impact on community quality.
 - ✓ Education, Personal Safety and Environment/Open Space always ranked among the top three items of interest to both residents and prospective residents and constituted the basic reason many residents moved here and became active participants in community affairs. Public schools are top rated and parents are actively engaged in school activities. Personal safety is provided by contract with the county Sheriff, neighborhood watch



programs and very visible horse mounted patrols in Town Center. Environmental preservation is visible throughout the community where tree preservation and understory is maintained along major thoroughfares and parks as a component of the 25% open space objective.

- ✓ Jobs and Shopping in Local Community ranks very high on the list of important considerations among residents and prospective customers. Growth and expansion of facilities in Town Center has aggressively responded to market opportunities related to these items.
- ✓ Recreation/Amenities - no surprise that these items are of interest but it is notable that pathways and jogging trails are at the top of the list. The development plan provided pathways and jogging trails since the opening of the community and now has in place some 130 miles of trails and pathways extending along roadways within tree covered setbacks.



- Additional community building blocks included in the development plan beyond the survey suggestions.

- ✓ Golf – there are seven golf courses in The Woodlands, all designed by named golf course architects including Joe Lee, Von Hagge-Devlin, Arnold Palmer, Jack Nicklaus, Gary Player and Tom Fazio.



In 1975 the Houston Golf Association relocated its PGA Houston Open to The Woodlands. It remained here for 28 years and some of the great names in golf participated in the annual event. This gave us great national

TV exposure increasing market awareness for the community in addition to providing a great golfing experience for residents and club members.

- ✓ Interfaith was organized as the non-profit entity known as The Woodlands Religious Community Inc. and initially served to provide incubator space for startup religious congregations that would later expand into their own facility. In addition to serving that role Interfaith

also operates child care facilities, a food bank and published the initial community phone book. The development company supported initial efforts of Interfaith by funding a portion of its startup budget and contributing land for its initial building facility and a future daycare facility.

- ✓ Health Care was and is a major community asset. Initially health care was provided by several medical practitioners located in the original village center. As population increased The Woodlands Medical Center Inc., a nonprofit corporation, was established to carry forward the community's



vision for health care. With great assistance provided by Methodist Hospital System and generous capital funding from the development company, including donation of land, a certificate of need was obtained and in 1985 the first

hospital was opened with 104 beds. Since that modest beginning health care facilities have successfully expanded in the community with hospitals and clinics operated by leading institutions found in



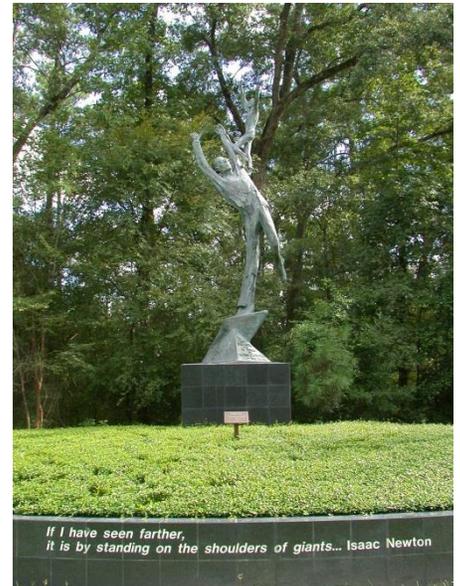
The Texas Medical Center including MD Anderson, Saint Lukes, Memorial Hermann, Methodist, Texas Children's Hospital and others. It has become a regional destination for health care.

- ✓ The Cynthia Woods Mitchell Pavilion. A performing arts pavilion was always part of the plan for The Woodlands. Cynthia Mitchell was a patron of the arts and offered tremendous encouragement. A 501 (c)(3) corporation was formed to own and manage the facility. In 1990 the stars aligned and the initial 10,000 seat Cynthia Woods Mitchell Pavilion was constructed and opened at a cost of some \$10,000,000 which was paid by the development company as gift to the community. George and Cynthia Mitchell personally contributed \$5,000,000 to the Houston

Symphony to make the pavilion its summer home. Since its inception the pavilion has been expanded to seat 18,000 and is among the top ranked venues in the U. S. and is financially sustainable from operating revenue and philanthropic donations. It was built because George and Cynthia thought was the right thing to do and the strong belief that it would add value that could be recovered as other property in the community was sold, a conclusion that could be more easily achieved in a large master planned community with thousands of acres to develop and market.



✓ Art in Public Places. In 1973 The



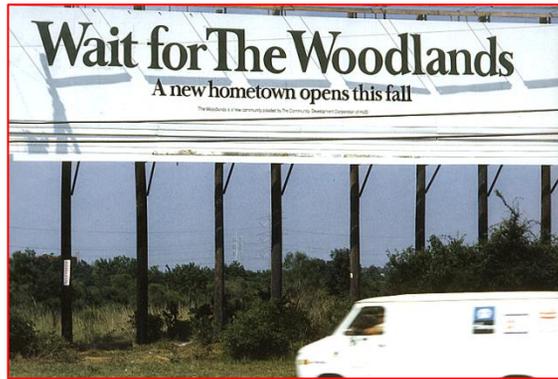
Woodlands adopted a formal program to provide art in public places throughout the community. The program was funded by setting aside 0.25 percent of the cost of all commercial building construction and one half of all commercial land sales, including construction and sales made by the development company. By 2005 slightly more than \$3 million had been collected to purchase and maintain art for public places and the program continues. An informal committee, including George and Cynthia Mitchell with support consultants and recognized artists, was formed to direct and manage the program. One piece of art that seems especially appropriate for the Woodlands is titled *Giant*. Inscribed on its base is a quote from Isaac Newton that reads “*If I have seen farther, it is because I have stood on the shoulders of giants*”.

Concluding Thoughts

- Great Master Planned Communities are vision led. The Woodlands was and so to were Columbia, Reston, Irvine and others that achieved similar success.

- Each had a visionary leader with a passion for the endeavor and a willingness to trade short-term profits for long term benefits.
- Great Master Planned Communities succeed by building a sense of community rather than focusing exclusively on property development. They emphasize the human side of development recognizing that there must be a thoughtful process where residents feel connected to their neighbors.
- Great places attract people and business.

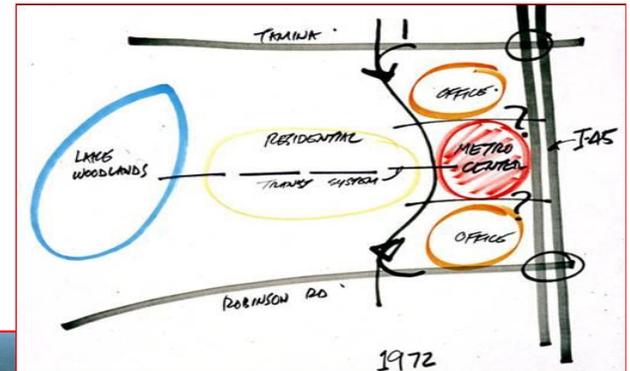
Roger Galatas
10-02-2015—Revised 5-8-2019



1973

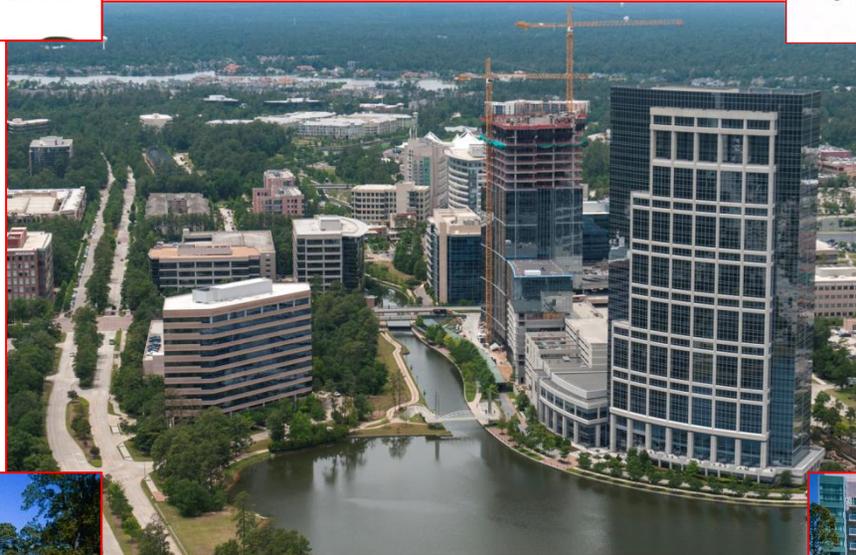
“Coming Soon” Announced

THE WOODLANDS TOWN CENTER



1972

Initial Concept for Town Center sketched on an envelope by Robert Heineman*



2002

Early view of “The Woodlands Waterway”

1980's
Drainage-way that became
“The Woodlands Waterway”



2013

*Heineman is V.P. for Planning, The Woodlands Development Co., a graduate of Rice with a Bachelor of Architecture and Harvard with a Masters of Architecture in Urban Design.

