

WEALTH IN I-35 CORRIDOR IN TEXAS

**Sponsored by: Austin Community Foundation,
San Antonio Area Foundation,
and Waco Foundation**

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We encourage the readers of this report to review the following notes prior to engaging in the body of the report.

For Technical Questions

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Important notes in using this research

Electronic Library. Extensive research and analysis has been gathered and prepared in support of the Wealth in I-35 Corridor of Texas study. There is considerable information on the Texas I-35 region and the wealth focus areas. This information has been electronically gathered and organized into a project electronic library that can be accessed at the following web link:

http://www.energizingentrepreneurs.org/site/index.php?option=com_content&view=article&id=135&Itemid=37

Methodology. We have a detailed methodology paper that explains how the Center prepares transfer of wealth (TOW) scenarios. We have not included this methodology paper in this report to save space and paper. But this paper is available through the electronic library. We welcome your review and invite questions. Our methodology paper can be accessed at:

http://www.energizingentrepreneurs.org/site/index.php?option=com_content&view=article&id=135&Itemid=37

Scenarios. There are two kinds of projections. The first type is predictions where a confidence of accuracy is provided. Prediction forecasts are typically short-term. The second type is scenarios. Scenarios are forecasts based on carefully researched assumptions and provide a visualization of a likely future. Scenarios are used to model longer time frames. Our current net worth (CNW) and TOW estimates are scenarios. We have worked hard to build conservative and reasonable assumptions. But it is important with a 50 year projection period; material changes in major assumptions can alter the end results of the TOW analysis.

Real Dollars. All the calculations in this study are made in real or inflation-adjusted dollars benchmarked to the real value of the dollar in 2010. Using real dollars reduces the distortion of inflation so a dollar of TOW in 2010 has the same purchasing power as a dollar in 2060.

Acknowledgements

The Wealth in I-35 Corridor of Texas study was sponsored by the Austin Community Foundation, San Antonio Area Foundation and the Waco Foundation. This analysis could not have been completed without the assistance and council of numerous organizations and individuals.

We would like to recognize the leadership and active support of MariBen Ramsey, Vice-President & COO of the Austin Community Foundation, Cynthia R. Hamilton, Vice President of Development & Donor Services at the San Antonio Area Foundation, and Rachel Hobbs, Coordinator of Planned Giving

at the Waco Foundation. Their interest in bringing this research to Texas I-35 and their commitment to encouraging homegrown philanthropy as a potential source of funding for economic renewal is a source of inspiration to many.

Why this research?

A fair question is to ask: Why invest in TOW research? The following provides an answer based on how communities, regions and states all across America are using their TOW research to advance community philanthropy:

Opportunity Awareness. The primary way this analysis is being used is to raise leader and community awareness of the TOW opportunity. Understanding the magnitude and potential for legacy giveback creates motivation to move to action. Focusing on the 5% giveback goal creates a real goal that board members and community leaders can understand and consequently focus energy towards giveback strategy.

Wealth in Poor Places. Many communities see themselves as poor and perceive that there are few opportunities for giveback. Understanding the TOW opportunity generally demonstrates that even in the poorest communities, there is opportunity for philanthropy and giveback. This can move attitudes from “the glass is half empty” to “the glass is half full.”

The Great Reset

Communities across America are caught in a squeeze play. On the one hand, they are facing important challenges and opportunities to invest in their communities including community economic development. On the other hand, communities are experiencing reduced grant assistance ranging from federal and state governments to foundation sources to reduced capacity to provide needed community betterment funding from local businesses and governments.

Communities are committed to their future so within this squeeze play they are searching for new sources of funding that is more robust, dependable and that can be locally controlled. This search is energizing community development philanthropy. TOW analysis helps communities better understand their unique potential and where wealth and donors might be rooted.

Donors get to decide where they transfer their life’s work. Many, if not most, donors love their hometowns and with the right opportunity may be moved to giveback or giveback more. The starting point for growing community endowments that can support community betterment begins with understanding the genuine opportunity. Then the hard and rewarding work of putting the pieces together and energizing community philanthropy comes next.

Threat – Call to Action. Whether in a rural community, where depopulation is undermining community vitality, or a larger city where retirees with wealth are migrating to warmer climates, this research can be used to create a sense of threat and a call to action. Oftentimes, financial advisors can be asked to share stories that verify and illustrate the need to act on this opportunity now.

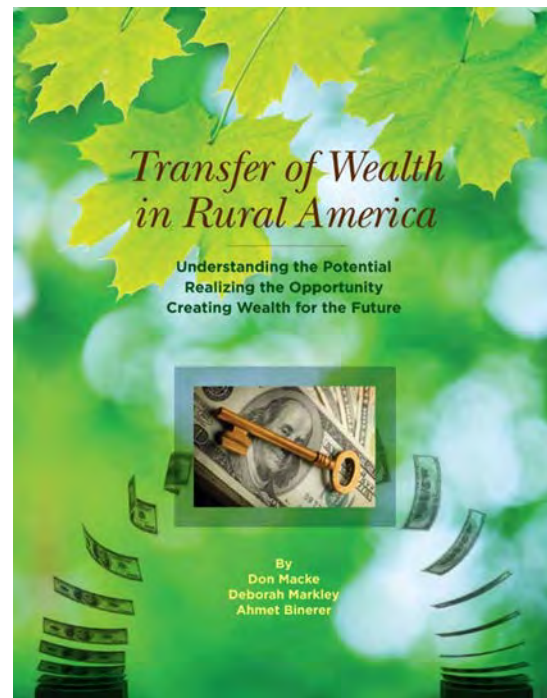
Donor Targeting. Finally and more recently, this research is now being used to identify specific legacy giveback pockets and refined donor targeting and development. Oftentimes this research is being used to reach new donor communities and create associated field of interest funds that will motivate new donors to gift to the community foundation.

Wealth in America

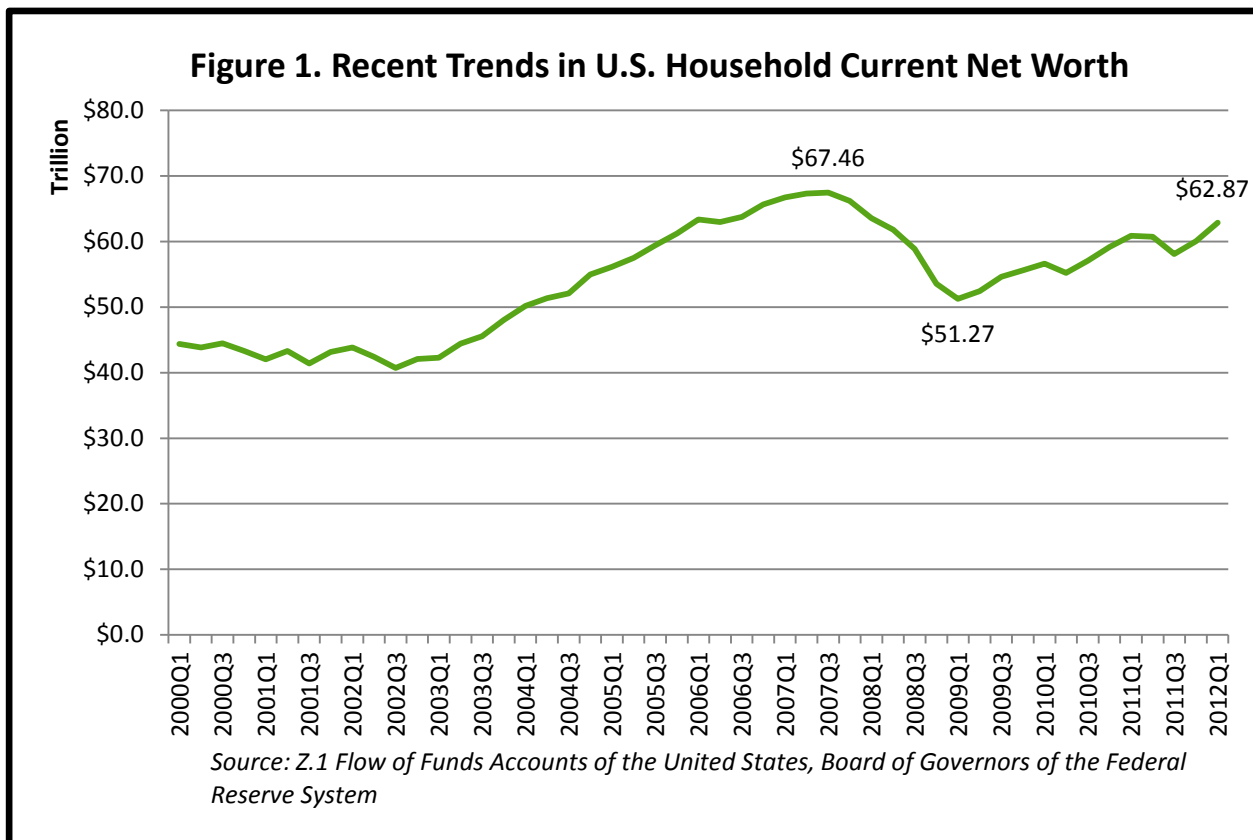
America is experiencing its most challenging economic downturn since the Great Depression. Challenges with government debt are rocking our national confidence. The Great Recession hit many American households hard and overall household related current net-worth declined from nearly \$70 trillion prior to the crash to just over \$51 trillion at the depth of the recession. Recovery has been slow but steady, and the household wealth has grown by \$11.6 trillion or 22.6%.

TOW Book

For those readers seeking additional background on America's transfer of wealth opportunity the Center has prepared [Transfer of Wealth in Rural America – Understanding the Opportunity, Realizing the Opportunity and Creating Wealth for the Future.](#) While the title of the book indicates a focus on "rural" this resource has application to urban America as well. We have both electronic and paper copies and for ordering email Monica@e2mail.org. Additionally there is a resource guide available through the Michigan Council of Foundation that can be ordered at: http://www.michiganfoundations.org/s_cmf/sec_wide.asp?CID=19797&DID=55205.



Bottom line, America remains a nation with tremendous personal wealth. The potential for charitable giveback remains strong and is improving with each quarter. In 1999, Boston College, in their landmark report *Millionaires in the Millennium*, captivated the Nation with its estimates of \$41 to \$136 trillion in household wealth transfer (1998-2052). A decade has passed since this work was released and a lot has changed. Earlier this year the RUPRI Center for Rural Entrepreneurship created a new set of transfer of wealth (TOW) opportunity scenarios based on the most recent demographic forecasts by the U.S. Census Bureau. These forecasts are rooted in likely population growth based on a range of assumptions about international migration.



Our new scenarios for TOW opportunity for the United States for the period of 2010 through 2060 range from a high of \$91 trillion to a low of \$43 trillion. Our most likely scenario estimates the TOW opportunity at \$75 trillion. Assuming we set a giveback goal of just 5%, over the next five decades nearly \$3.8 trillion in new community endowments could be built. These endowments could generate, once fully capitalized, nearly \$200 billion annually in new grant making! In this new age of challenged government spending, this investment could prove critically important to the future of America's communities.

Executive Summary

Transfer of Wealth (TOW) is the process whereby one generation transfers their assets to the next generation. This typically occurs at the time of death and represents the moment when legacy giveback is the greatest. TOW most likely represents the single largest under-developed financial resource available to communities to support their development.

The Center's TOW team analyzed historical trends and current data to develop likely scenarios of how many assets currently exist in households across I-35 Texas. Using conservative estimates of economic growth, the team estimated the value of assets over the next 10 and 50 years - the TOW opportunity. Taking an industry-wide standard of 5% TOW opportunity giveback, the Center estimated how many of the transferable assets could conceivably be given at death to support investments in the community – the TOW capture target. This TOW analysis is specific to the residents of the I-35 Corridor of Texas and does not include corporate, non-profit or governmental assets.

Based on this analysis, all three regions of I-35 Texas is likely to face a significant TOW opportunity beginning as early as 2020.

- Current Net Worth in 2010 for Austin region is estimated to be \$137.8 billion, while San Antonio Region is estimated slightly smaller at \$118.7 billion, and Waco is estimated to be \$33.3 billion.
- Over the next 10 years (2011-2020), an estimated \$26.2 billion will be available to transfer between generations in Austin region households – the TOW opportunity. San Antonio is estimated a little higher over ten years, estimated at a \$29.3 billion 10-year TOW opportunity. Finally, Waco region households are estimated to have a \$7.8 billion 10-year TOW opportunity.
- If just 5% of the 10-year TOW opportunity were to be captured by local nonprofit organizations in the Austin region such as community foundations, those organizations would realize almost \$1,308 million – the TOW capture target. San Antonio region's TOW capture target is predicted slightly higher at \$1,466 million, while Waco region is smaller, estimated to be a \$388.4 million TOW capture target.
- Using a conservative 5% annual payout rate on the endowments this TOW capture might build, approximately \$65.4 million in sustainable annual charitable resources would be generated over the next 10 years to support community economic development and other charitable investments for the Austin region. A conservative 5% payout rate for San Antonio would mean \$73.3 million over ten years, while Waco is estimated to have a \$19.4 million 5% payout over ten years.

Figures 2 and 3 summarize the total and per household current net worth (CNW), and the 10-year and 50-year transfer of wealth (TOW) values generated for each of the regions in the I-35 Corridor of Texas.

Figure 2. Summary Findings: Current Net Worth and 10-Year TOW Opportunity

| | 2010 Current Net Worth | | 10-Year TOW | | 5% Capture of 10-Year TOW | | 5% Payout of 5% Capture | |
|-------------|------------------------|------------------|-----------------|------------------|---------------------------|------------------|-------------------------|---------|
| | Value | PHH | Value | PHH | Value | PHH | Value | PHH |
| Place | <i>Billions</i> | <i>Thousands</i> | <i>Billions</i> | <i>Thousands</i> | <i>Millions</i> | <i>Thousands</i> | <i>Millions</i> | |
| Austin | \$137.8 | \$324.8 | \$26.2 | \$61.7 | \$1,308 | \$3.1 | \$65.4 | \$154.2 |
| San Antonio | \$118.7 | \$219.3 | \$29.3 | \$54.2 | \$1,466.5 | \$2.7 | \$73.3 | \$135.4 |
| Waco | \$33.3 | \$139.2 | \$7.8 | \$32.5 | \$388.4 | \$1.6 | \$19.4 | \$81.2 |

Figure 3 Summary Findings: Current Net Worth and 50-Year TOW Opportunity

| | 2010 Current Net Worth | | 50-Year TOW | | 5% Capture of 50-Year TOW | | 5% Payout of 5% Capture | |
|-------------|------------------------|------------------|-----------------|------------------|---------------------------|------------------|-------------------------|------------------|
| | Value | PHH | Value | PHH | Value | PHH | Value | PHH |
| Place | <i>Billions</i> | <i>Thousands</i> | <i>Billions</i> | <i>Thousands</i> | <i>Billions</i> | <i>Thousands</i> | <i>Millions</i> | <i>Thousands</i> |
| Austin | \$137.8 | \$324.8 | \$693.0 | \$1,633.4 | \$34.7 | \$81.7 | \$1,732.5 | \$4.1 |
| San Antonio | \$118.7 | \$219.3 | \$372.9 | \$688.7 | \$18.6 | \$34.4 | \$932.1 | \$1.7 |
| Waco | \$33.3 | \$139.2 | \$86.7 | \$362.4 | \$4.3 | \$18.1 | \$216.7 | \$0.9 |

Wealth in this Region

America is increasingly defined by developing corridors associated with interstate highways, such as the I-5 corridor that includes San Diego, Los Angeles and San Francisco, the northeast metroplex including Boston, New York, Baltimore and Washington, D.C. The Austin, San Antonio and Waco regions are part of a mid-America corridor power house aligned along the I-35 corridor that runs from Duluth, Minnesota in the north to Laredo, Texas on the Mexican border. This corridor includes some rapidly developing regions anchored by such cities as Minneapolis, Des Moines, Kansas City, Wichita, Oklahoma City, Dallas, Fort Worth and including Waco, Austin and San Antonio. San Antonio is also part of two other development corridors including I-10 to Houston and I-37 to Corpus Christi.

The Austin, San Antonio and Waco regions include 19 counties and a population in 2010 of 4.6 million residents. This is a physically large and rapidly developing collection of communities that also includes the massive Fort Hood Military Base, the Texas State Capital, a number of major Universities including the main campus for the University of Texas and parts of the Texas Hill Country. Over the past 40 years these three regions have witnessed above and sometimes dramatic growth when compared to the U.S.

benchmarks. The following table summarizes the annualized rates of growth for the three key indicators of population, employment and personal income.

| Figure 4. Key Benchmark Indicators for 1970 through 2010 | | | |
|---|-------------------|-------------------|------------------------|
| Geography | Population | Employment | Personal Income |
| Austin Region | 8.21% | 12.06% | 18.94% |
| San Antonio Region | 3.09% | 4.57% | 7.76% |
| Waco Region | 2.27% | 2.89% | 6.29% |
| 3 Region Average* | 4.52% | 6.51% | 11.00% |
| United States | 1.29% | 2.26% | 4.10% |
| 3 Regions/U.S. Ratio | 3.5x | 2.9x | 2.7x |
| Texas | 3.12% | 4.58% | 7.90% |

*Unweighted average for the three regions.

Over the past four decades these three regions have on average, seen the following growth compared to the U.S. benchmark:

Population = 3.5 times faster than the U.S.
Employment = 2.9 times faster than the U.S.
Personal Income = 2.7 times faster than the U.S.

Rapid growth and associated development creates unique patterns of household wealth formation and directly contributes to current and future TOW opportunity.

Figure 5 Key to Wealth Indicators, Charts and Graphs

This table provides important information for the reader of this report. This is a guide to the terminology and the indicators addressed in our TOW analysis and report findings.

| | |
|----------------------------|--|
| Electronic Library | All background analysis and research associated with this project can be found in the Electronic library |
| Methodology | A detailed TOW methodology paper is available in the Project Electronic Library. This paper provided additional background information. |
| TOW Timing Charts | TOW timing charts are available in this report and in the county reports. These charts project the likely incidence and distribution of household estates over the 50 year scenario period. |
| Scenario Changers | We are projecting 50 years into the future. A lot can change over such a long period. In this report there is a section titled ' Scenario Changers ' that highlight issues and trends to watch that could impact our projections. |
| Donor Opportunity Areas | Our TOW analysis cannot provide specific potential donor names. But we have prepared in this report areas that should be explored where there is potential for charitable giveback. We call these donor opportunity areas. |
| Population | Population values are for 2010 and associated with the decennial U.S. Census |
| CNW | CNW stands for "current net worth" and is associated with household wealth. |
| 10-Year TOW | The 10-year TOW is our scenario project for the first 10 years of transfer of wealth (TOQ) opportunity for the specified region. |
| 50-Year TOW | The 50-year TOW is our scenario project for the full 50 years of transfer of wealth (TOQ) opportunity for the specified region. |
| PHH | In order to enable comparisons we benchmark CNW, 10-Year TOW and 50-Year TOW by the number of households in 2010. This is referred to as the PHH or "per household" value. |
| Annualized Change | We utilize annualized rates of change for comparison and assumption building purposes. Annualized values include the total percentage change for the period, divided by the number of years in the period under consideration. |
| Labor & Non-labor Earnings | America is aging and we have a growing share of our population that is not actively working. We use the ratio of "labor" to "non-labor" earnings as an indicator of an economy's dynamic qualities. |
| DIR & Transfer Payments | DIR stands for "dividends, interest and rent" income. DIR is an important indicator associated with the holding of certain wealth assets like stocks, bonds and rental properties. Transfer payments include other passive or non-working income such as Social Security, public assistance and the like. The ratio of DIR and Transfer Payments provides us with another window into the wealth holding and creating powers of an area's economy. |
| Peak Unemployment | Peak monthly unemployment rate during the Great Recession |
| Median CNW | The mid-point of household current net worth |
| Mean CNW | The average of household current net worth |
| Median to Mean Ratio | This ratio measures wealth distribution within a community. The larger the value, the greater the disparity between rich and poor. |
| Millionaires | The percentage of total households with million plus estates. |

Wealth in Austin Region Analysis

TOW Findings. The following table provides our CNW and TOW opportunity scenario projections for the Austin Community Foundation's region:

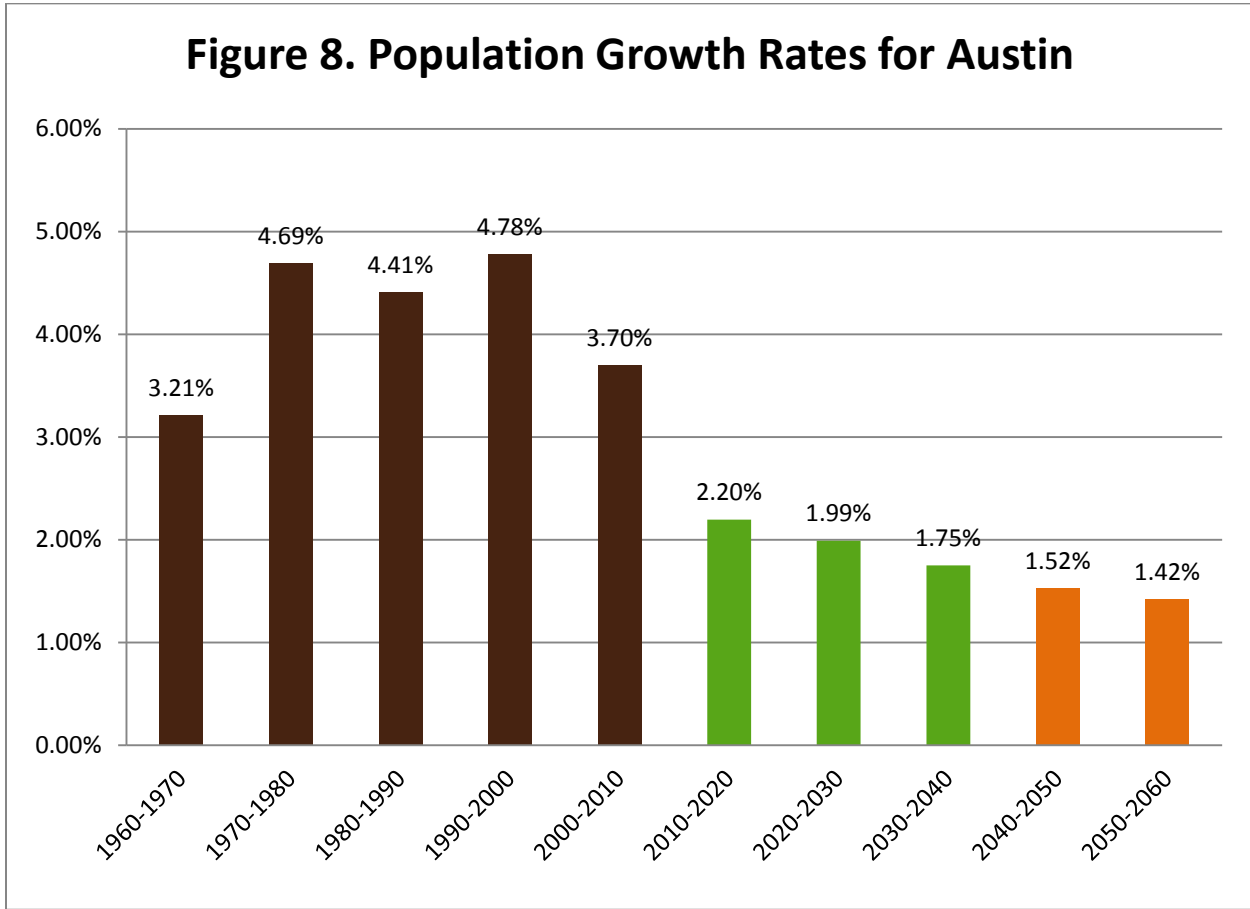
| Figure 6. Summary of Findings for Austin Region | | | |
|--|--------------------------------|----------------------------|--------------------------------|
| Transfers of Wealth Opportunity Findings | | | |
| 2010 CNW | 10-Year TOW Opportunity | | 50-Year TOW Opportunity |
| \$137.8 Billion | \$26.2 Billion | | \$693.0 Billion |
| Per Household Comparative Values | | | |
| | Austin | United States | |
| CNW | \$324,800 | \$234,700 | |
| 10-Year TOW | \$61,700 | \$51,500 | |
| 50-Year TOW | \$1,633,400 | \$628,100 | |
| Philanthropic Potential | | | |
| 5% Capture Goal | | 5% Payout Potential | |
| 10-Year TOW | \$1,308 Million | 10-Year TOW | \$65.4 Million |
| 50-Year TOW | \$1,152.5 Billion | 50-Year TOW | \$2,881.3 Million |

The following chart provides a visualization of the 2010 CNW, 10-Year and 50-TOW opportunity estimates for the Austin Region and its component counties:

| Figure 7. 10 & 50 Year TOW Opportunity for Austin Region | | | |
|---|------------------|--------------------|--------------------|
| Geography | 2010 CNW | 10-Year TOW | 50-Year TOW |
| Austin Region | \$137.80 Billion | \$26.16 Billion | \$693.00 Billion |
| Bastrop County | \$4.15 Billion | \$759.92 Million | \$11.80 Billion |
| Burnet County | \$3.12 Billion | \$960.79 Million | \$12.05 Billion |
| Caldwell County | \$1.62 Billion | \$400.72 Million | \$4.29 Billion |
| Hays County | \$11.77 Billion | \$2.23 Billion | \$62.59 Billion |
| Travis County | \$69.58 Billion | \$13.08 Billion | \$242.28 Billion |
| Williamson County | \$47.57 Billion | \$8.74 Billion | \$359.99 Billion |

The Region and Its TOW Potential. Austin and its region are part of the larger Texas I-35 corridor that includes Dallas, Fort Worth and Waco in the north and San Antonio in the south. This corridor is one of the most dynamic and important regions in the United States. This region includes six counties (i.e., Bastrop, Burnet, Caldwell, Hays, Travis and Williamson) and key cities such as Austin. This region is also home to the Texas State Capital, important parts of State Government and the flagship campus of the University of Texas.

In 2010, the overall Austin Region sported a resident population of just nearly 1.8 million residents. The following chart provides the historic (brown bars) and projected (green bars) annualized population growth rates for this region. Over the past four decades the annualize rate of population growth for this region is a remarkable 8.21% per year which is 2.6x higher than Texas and 6.4x higher than the U.S. for the same period. Peak growth occurred in the 1990 at nearly 5% per year. Growth slowed in the 2000s. We are assuming strong future growth but at more moderate levels throughout 2060.



The following table provides key indicators we employed in estimating this region’s 2010 CNW and projecting its TOW opportunity over the coming five decades. We are using scenario projections of a likely future. Our scenarios are conservative and based on transparent assumptions about this region’s future. In addition to our assumptions about demographic growth as captured in the previous chart, the following table provides the comparative annualized growth rates for population, employment and personal income for this historic period (1970-2010) with benchmark values for the United States. This information can be helpful in understanding how this region is performing with respect to wealth creation relative to Texas and the United States.

Considering the “labor to non-labor earnings” ratio for the Austin Region we have a more dynamic economy when compared to Texas and particularly the United States. Less than 30% of personal income received by households in the region in 2010 was from non-labor earnings. Of this amount, there is a very strong balance between non-labor income associated with DIR (dividends, interest and rent) and transfer payments. Seventeen percent of this total was from DIR or “dividends, interest and rent” income which is a strong indicator of current household wealth and giveback capacity. Only 12% of non-labor income is associated with transfer payments -- which is an indicator of weaker

philanthropic capacity. Both Texas and the region were not as deeply impacted by the Great Recession as the nation when peak unemployment values are compared.

| Figure 9. Austin Wealth Indicators | | |
|--|---------------|-------------|
| Indicator | Austin | U.S. |
| 2010 Population | 1,759,039 | 308,745,538 |
| 2000-2010 Annualized Change in Population | 3.20% | 0.93% |
| 2000-2010 Annualized Change in Households | 3.24% | 1.02% |
| 2000-2010 Annualized Change in Housing Units | 3.58% | 1.29% |
| Population Under 19 Years of Age | 444,681 | 194,296,087 |
| Population 19-64 Years of Age | 1,167,677 | 74,181,467 |
| Population 65 and Older Years of Age | 146,681 | 40,267,984 |
| Total Businesses | 69,442 | 12,239,616 |
| Businesses per 1000 Residents | 38.44 | 39.39 |
| Average Workers per Business | 12.13 | 11.95 |
| Percent of Creative Class Workers | 9.9% | 8.5% |
| Median Home Value, 2010 | \$181,095 | \$157,913 |
| Owner-occupied Housing Units w/o Mortgages | 91,613 | 24,053,370 |
| Percent Owner-Occupied Housing Units | 54.95% | 58.98% |
| Median Household CNW | \$107,044 | \$93,084 |
| Mean Household CNW | \$535,432 | \$418,865 |
| Peak Household CNW by Age Cohort | \$1,007,725 | \$737,941 |
| Age Cohort for Peak Household CNW | 55-64 | 55-64 |
| Millionaire Households as a Percent of Total | 10.23% | 7.56% |
| Annualized Population Change: | | |
| 2000-2010 | 3.70% | 0.96% |
| 2010-2020 | 2.20% | 0.93% |
| 2020-2030 | 1.99% | 0.86% |
| 2030-2040 | 1.75% | 0.77% |
| 2040-2050 | 1.52% | 0.73% |
| 2050-2060 | 1.42% | 0.73% |

Exploring ESRI research on household wealth for this region for 2010, we find that both median (the mid-point of all households) and the mean (the average of all households) CNW are substantially higher when compared to the Texas and U.S. benchmark values. The region has a higher range between rich and poor when compared to U.S., but lower when compared to Texas. A very positive one in ten households in 2010 has \$1 million plus estates compared to a U.S. value of 7.6%. There is above average philanthropic capacity within this region.

Donor Opportunity Areas. Based on our analysis, we have flagged eight highly probable donor opportunity areas specific to the Austin Region. Other donor opportunity areas are likely present, but these eight represent areas we strongly recommend for further exploration based on their capacity for philanthropic giveback and their likely incidence within the region.

Figure 10. Austin Region Donor Opportunity Areas

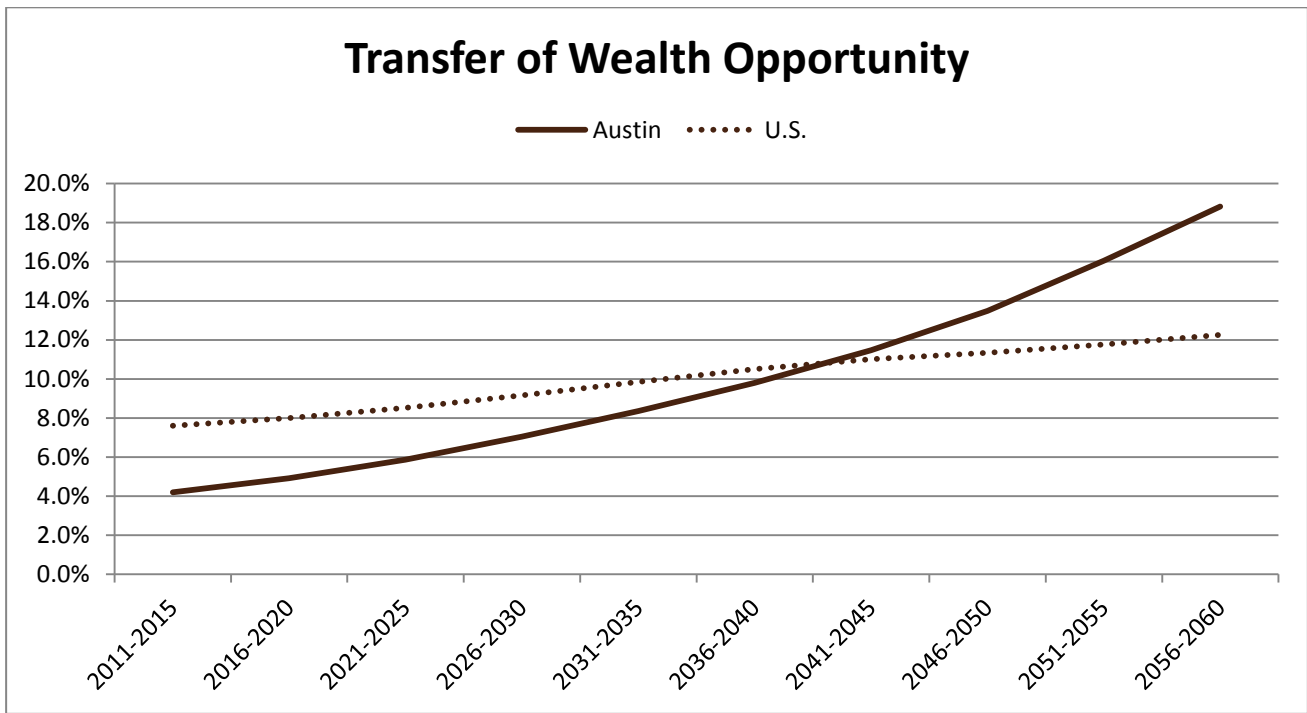
| | |
|---|---|
| <p style="text-align: center;">Old Wealth</p> <p>Old wealth equates with inherited wealth that is passed on from one generation to the next. Often old wealth households are rooted generationally in a community or region. Typically old wealth families have a legacy of community engagement and building. Their charity is evident through past giving.</p> | <p style="text-align: center;">Thrifty Retirees</p> <p>Every community has them. Thrifty retirees are part of the social fabric of urban neighborhoods to rural villages. These are folks who work hard, spend less than they make, save and invest well and build modest estates over their lives. Generally they are rooted and inclined to give back.</p> |
| <p style="text-align: center;">Entrepreneurs</p> <p>America has a long and deep history and tradition of entrepreneurship. Entrepreneurs are a core group within the creative class. They innovate new products and services and in doing so create new wealth. Sometimes their success creates wealth for investors, family members, key employees and their host communities.</p> | <p style="text-align: center;">Driven Immigrants</p> <p>All of us, except Native Americans, are related to immigrants. There is a deep and rich tradition of immigration in America. Each year they come legally and illegally to create a safer and better life for themselves and their families. They are driven and often entrepreneurial. Within a generation or two they often realize success and form wealth. They are often motivated to give back.</p> |
| <p style="text-align: center;">Creative Class</p> <p>Richard Florida and his research team have created a spot light on the importance of creative individuals in our society and economy. Florida refers to them as the creative class. They are innovative and create new wealth through their innovation.</p> | <p style="text-align: center;">Specialized Professionals</p> <p>Even during the Great Recession there were jobs for many of them. They are highly educated and/or skilled professionals. They have unique skills and experience whether they are oil drillers to surgeons. They are well paid and have the potential to grow estates.</p> |
| <p style="text-align: center;">Farmers and Ranchers</p> <p>Personal wealth has long been associated with land ownership. While corporate agriculture has become part of the American scene. But there continues to be substantial numbers of closely-held family owned farms and ranches. In some parts of the country there is significant wealth and giveback associated with appreciating agricultural real estate.</p> | <p style="text-align: center;">Energy</p> <p>We most often think of the wealth associated with the land we can see. There is also wealth associated with the resources below the surface including energy resources. The renewal of energy development associated with hydro-fracking a horizontal drilling is creating new royalty wealth for those who still own their mineral rights</p> |

TOW Opportunity Timing. Over the next five decades (2010 through 2060) this region’s TOW opportunity will become available. Each community or region has a unique Transfer of Wealth Opportunity trend line. Our TOW Opportunity Charts actually measure the percentage share of estates that are likely to come into play over the 50 year period. We are using this metric to illustrate the TOW

opportunity timing because of the overall national pattern where wealth is concentrating and probability of giveback is declining over time. So tracking the incidence of estate transfers provides a better sense of the urgency for philanthropic action.

This region’s opportunity for philanthropic give back increases throughout the 50 year time frame for our projections. This is due to the fact that overall demographic, economic and wealth growth is projected to increase over time. In essence, new wealth creation will increase faster than old wealth transfer occurs. The same is true for estate transitions. When compared to the U.S. TOW opportunity curve, the trend line is much steeper reflecting the more youthful nature of the community and it projected strong growth throughout the scenario period.

Figure 11. Austin Region & U.S. TOW Opportunity Timing Chart



We have prepared county specific TOW reports for each of the seven counties that comprise the Austin Region. These reports are available through the Project Electronic Library. Supporting research and analysis for each county is also available including a county specific Socio-Economic Profile.

Wealth in San Antonio Region Analysis

TOW Findings. The following table provides our CNW and TOW opportunity scenario projections for the San Antonio Area Foundation’s Region:

Figure 12. Summary of Findings for San Antonio Region

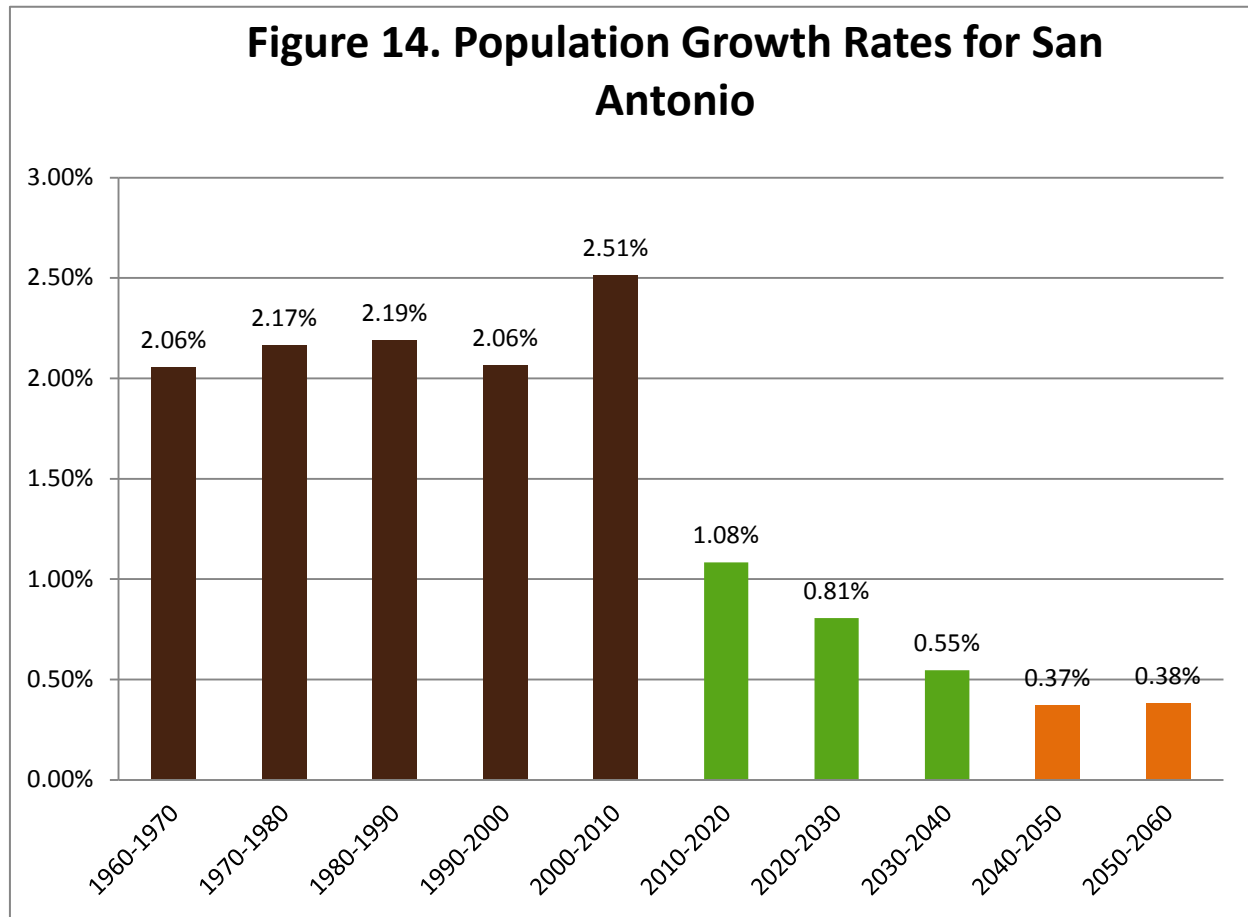
| Transfers of Wealth Opportunity Findings | | |
|--|---|--|
| 2010 CNW \$118.7 Billion | 10-Year TOW Opportunity \$29.3 Billion | 50-Year TOW Opportunity \$372.9 Billion |
| Per Household Comparative Values | | |
| | San Antonio | United States |
| CNW | \$219,300 | \$234,700 |
| 10-Year TOW | \$54,200 | \$51,500 |
| 50-Year TOW | \$688,700 | \$628,100 |
| Philanthropic Potential | | |
| 5% Capture Goal | 5% Payout Potential | |
| 10-Year TOW \$1,466.5 Million | 10-Year TOW \$73.3 Million | |
| 50-Year TOW \$18.6 Billion | 50-Year TOW \$932.1 Million | |

The following chart provides a visualization of the 2010 CNW, 10-Year and 50-TOW opportunity estimates for the San Antonio Region and its component counties:

| Figure 13. 10 & 50 Year TOW Opportunity for San Antonio Region | | | |
|--|------------------|------------------|------------------|
| Geography | 2010 CNW | 10-Year TOW | 50-Year TOW |
| San Antonio Region | \$118.72 Billion | \$29.33 Billion | \$372.85 Billion |
| Bandera County | \$1.59 Billion | \$321.76 Million | \$3.72 Billion |
| Bexar County | \$88.54 Billion | \$21.97 Billion | \$257.87 Billion |
| Comal County | \$10.74 Billion | \$2.45 Billion | \$39.67 Billion |
| Guadalupe County | \$9.17 Billion | \$2.23 Billion | \$45.01 Billion |
| Kendall County | \$5.13 Billion | \$871.13 Million | \$14.59 Billion |
| Kerr County | \$3.56 Billion | \$1.48 Billion | \$11.99 Billion |

The Region and Its TOW Potential. San Antonio and its region are part of the larger Texas I-35 corridor that includes Dallas Fort Worth, Waco and Austin in the north and extending all the way to the Gulf of Mexico in the south. This corridor is one of the most dynamic and important regions in the United States. This region includes seven counties (i.e., Bandera, Bexar, Comal, Guadalupe, Kendall and Kerr) and the primary city of San Antonio. This region has a very cultural and economically diverse collection of communities.

In 2010, the overall San Antonio Region sported a resident population of just nearly 2.1 million residents. The following chart provides the historic (brown bars) and projected (green bars) annualized population growth rates for this region. For the most of the last five decades, this region experienced a very strong two percent plus annualized population growth rate. Peak growth occurred in the last decade (2000s) at a very strong 2.51% per year. Both the Texas State Demographer and our Center are projecting strong but more moderate growth in the out years. This scenario could prove stronger, but provides a more conservative basis for our TOW scenarios.



The following table provides key indicators we employed in estimating this region’s 2010 CNW and projecting its TOW opportunity over the coming five decades. We are using scenario projections of a likely future. Our scenarios are conservative and based on transparent assumptions about this region’s future. In addition to our assumptions about demographic growth as captured in the previous chart, the following table provides the comparative annualized growth rates for population, employment and personal income for this historic period (1970-2010) with benchmark values for the United States. This information can be helpful in understanding how this region is performing with respect to wealth creation relative to Texas and the United States.

Considering the “labor to non-labor earnings” ratio for the San Antonio Region we have a slightly less dynamic economy when compared to Texas but a comparable economy when compared to the nation. Over one in three dollars of personal income received by households in the region in 2010 were from non-labor earnings. Fifteen percent of this total was from DIR or “dividends, interest and rent” income which is a strong indicator of current household wealth and giveback capacity. However, 19% of non-

labor income is associated with transfer payments -- which is an indicator of weaker philanthropic capacity. Both Texas and the region were not as deeply impacted by the Great Recession as the nation when peak unemployment values are compared.

Figure 15. San Antonio Wealth Indicators

| Indicator | San Antonio | U.S. | |
|--|-------------|-------------|-------|
| 2010 Population | 2,058,298 | 308,745,538 | |
| 2000-2010 Annualized Change in Population | 2.27% | 0.93% | |
| 2000-2010 Annualized Change in Households | 2.39% | 1.02% | |
| 2000-2010 Annualized Change in Housing Units | 2.59% | 1.29% | |
| Population Under 19 Years of Age | 549,523 | 194,296,087 | |
| Population 19-64 Years of Age | 1,278,728 | 74,181,467 | |
| Population 65 and Older Years of Age | 230,047 | 40,267,984 | |
| Total Businesses | 68,994 | 12,239,616 | |
| Businesses per 1000 Residents | 32.89 | 39.39 | |
| Average Workers per Business | 13.08 | 11.95 | |
| Percent of Creative Class Workers | 7.9% | 8.5% | |
| Median Home Value, 2010 | \$108,368 | \$157,913 | |
| Owner-occupied Housing Units w/o Mortgages | 143,383 | 24,053,370 | |
| Percent Owner-Occupied Housing Units | 58.63% | 58.98% | |
| Median Household CNW | \$80,245 | \$93,084 | |
| Mean Household CNW | \$384,735 | \$418,865 | |
| Peak Household CNW by Age Cohort | \$740,376 | \$737,941 | |
| Age Cohort for Peak Household CNW | 65-74 | 55-64 | |
| Millionaire Households as a Percent of Total | 6.34% | 7.56% | |
| Annualized Population Change: | | | |
| | 2000-2010 | 2.51% | 0.96% |
| | 2010-2020 | 1.08% | 0.93% |
| | 2020-2030 | 0.81% | 0.86% |
| | 2030-2040 | 0.55% | 0.77% |
| | 2040-2050 | 0.37% | 0.73% |
| | 2050-2060 | 0.38% | 0.73% |

Exploring ESRI research on household wealth for this region for 2010, we find that both median (the mid-point of all households) and the mean (the average of all households) CNW are comparable to or moderately lower when compared to the Texas and U.S. benchmark values. The region has a higher range between rich and poor when compared to the U.S., but lower when compared to Texas. Roughly 6.3% of all households in 2010 have \$1 million plus estates compared to a U.S. value of 7.6%. There is significant capacity for charitable giveback based on this analysis.

Donor Opportunity Areas. Based on our analysis we have flagged eight highly probable donor opportunity areas specific to the San Antonio Region. Other donor opportunity areas are likely present, but these eight represent areas we strongly recommend for further exploration based on their capacity for philanthropic giveback and their likely incidence within the region.

Figure 16. San Antonio Donor Opportunity Areas

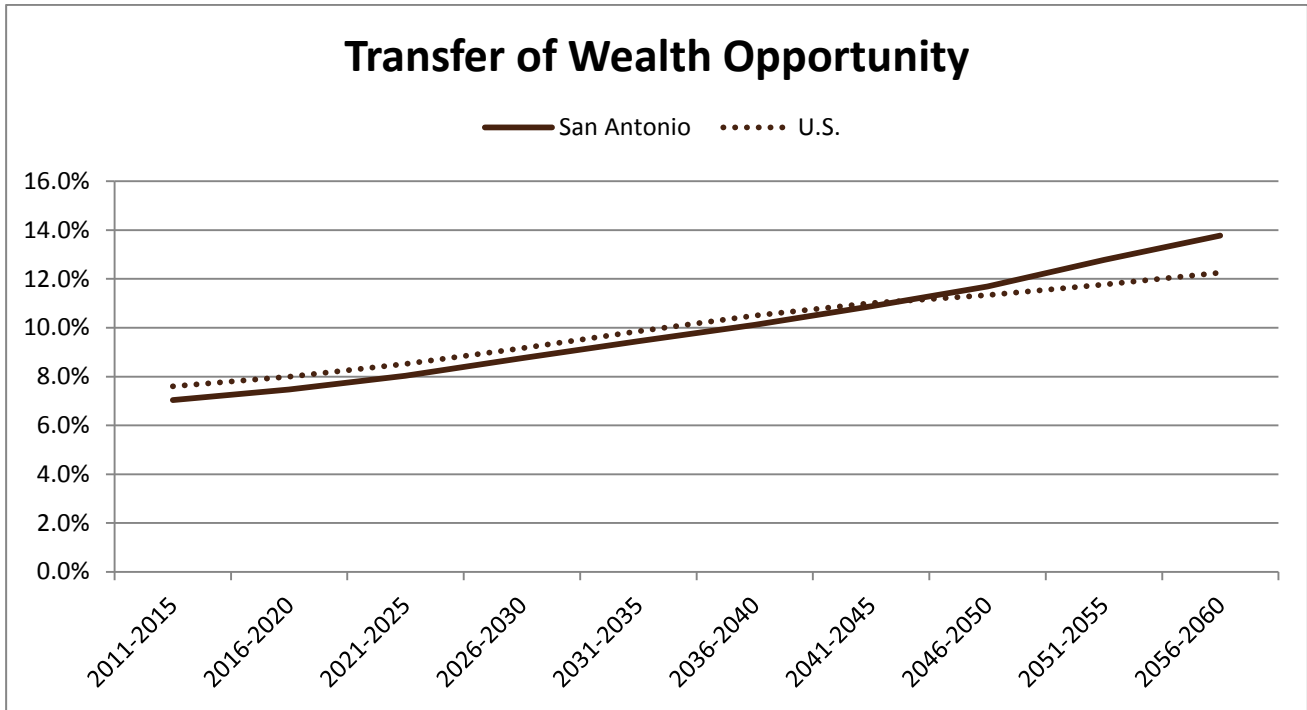
| | |
|---|---|
| <p style="text-align: center;">Old Wealth</p> <p>Old wealth equates with inherited wealth that is passed on from one generation to the next. Often old wealth households are rooted generationally in a community or region. Typically old wealth families have a legacy of community engagement and building. Their charity is evident through past giving.</p> | <p style="text-align: center;">Thrifty Retirees</p> <p>Every community has them. Thrifty retirees are part of the social fabric of urban neighborhoods to rural villages. These are folks who work hard, spend less than they make, save and invest well and build modest estates over their lives. Generally they are rooted and inclined to give back.</p> |
| <p style="text-align: center;">Entrepreneurs</p> <p>America has a long and deep history and tradition of entrepreneurship. Entrepreneurs are a core group within the creative class. They innovate new products and services and in doing so create new wealth. Sometimes their success creates wealth for investors, family members, key employees and their host communities.</p> | <p style="text-align: center;">Driven Immigrants</p> <p>All of us, except Native Americans, are related to immigrants. There is a deep and rich tradition of immigration in America. Each year they come legally and illegally to create a safer and better life for themselves and their families. They are driven and often entrepreneurial. Within a generation or two they often realize success and form wealth. They are often motivated to give back.</p> |
| <p style="text-align: center;">Creative Class</p> <p>Richard Florida and his research team have created a spot light on the importance of creative individuals in our society and economy. Florida refers to them as the creative class. They are innovative and create new wealth through their innovation.</p> | <p style="text-align: center;">Specialized Professionals</p> <p>Even during the Great Recession there were jobs for many of them. They are highly educated and/or skilled professionals. They have unique skills and experience whether they are oil drillers to surgeons. They are well paid and have the potential to grow estates.</p> |
| <p style="text-align: center;">Farmers and Ranchers</p> <p>Personal wealth has long been associated with land ownership. While corporate agriculture has become part of the American scene. But there continues to be substantial numbers of closely-held family owned farms and ranches. In some parts of the country there is significant wealth and giveback associated with appreciating agricultural real estate.</p> | <p style="text-align: center;">Energy</p> <p>We most often think of the wealth associated with the land we can see. There is also wealth associated with the resources below the surface including energy resources. The renewal of energy development associated with hydro-fracking and horizontal drilling is creating new royalty wealth for those who still own their mineral rights.</p> |

TOW Opportunity Timing. Over the next five decades (2010 through 2060) this region’s TOW opportunity will become available. Each community or region has a unique Transfer of Wealth Opportunity trend line. Our TOW Opportunity Charts actually measure the percentage share of estates

that are likely to come into play over the 50 year period. We are using this metric to illustrate the TOW opportunity timing because of the overall national pattern where wealth is concentrating and probability of giveback is declining over time. So tracking the incidence of estate transfers provides a better sense of the urgency for philanthropic action.

This region’s opportunity for philanthropic give back increases throughout the 50 year time frame for our projections. This is due to the fact that overall demographic, economic and wealth growth is projected to increase over time. In essence new wealth creation will increase faster than old wealth transfer occurs. The same is true for estate transitions. When compared to the U.S. TOW opportunity curve, the trend line is much steeper reflecting the more youthful nature of the community and its projected strong growth throughout the scenario period.

Figure 17. San Antonio Region & U.S. TOW Opportunity Timing Chart



We have prepared county specific TOW reports for each of the seven counties that comprise the San Antonio Region. These reports are available through the Project Electronic Library. Supporting research and analysis for each county is also available including a county specific Socio-Economic Profile.

Wealth in Waco Region Analysis

TOW Findings. The following table provides our CNW and TOW opportunity scenario projections for the Waco Foundation’s Region:

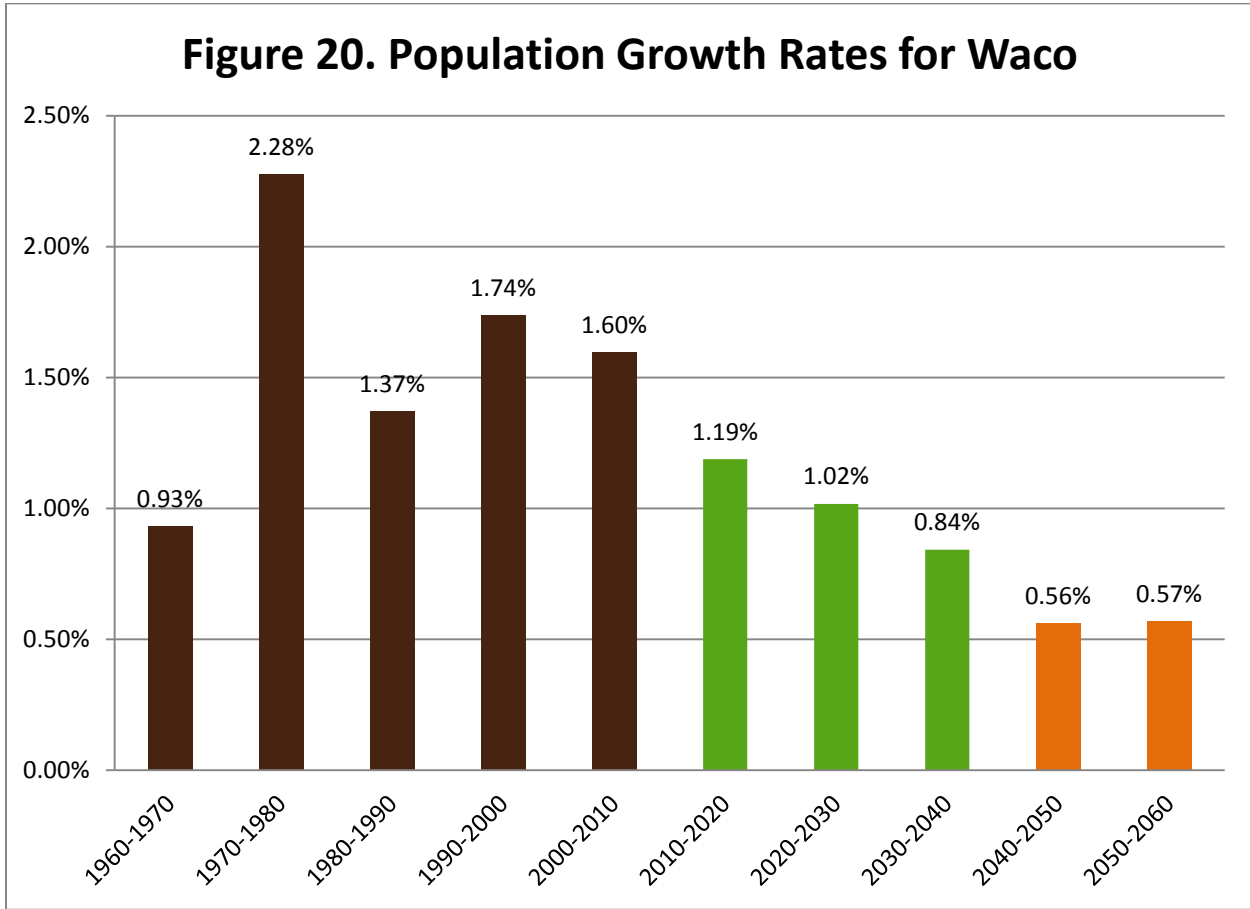
| Figure 18. Summary of Findings for Waco Region | | | |
|---|--------------------------------|----------------------------|--------------------------------|
| Transfers of Wealth Opportunity Findings | | | |
| 2010 CNW | 10-Year TOW Opportunity | | 50-Year TOW Opportunity |
| \$33.3 Billion | \$7.8 Billion | | \$86.7 Billion |
| Per Household Comparative Values | | | |
| | Waco | United States | |
| CNW | \$139,200 | \$234,700 | |
| 10-Year TOW | \$32,500 | \$51,500 | |
| 50-Year TOW | \$362,400 | \$628,100 | |
| Philanthropic Potential | | | |
| 5% Capture Goal | | 5% Payout Potential | |
| 10-Year TOW | \$388.4 Million | 10-Year TOW | \$19.4 Million |
| 50-Year TOW | \$4.3 Billion | 50-Year TOW | \$216.7 Million |

The following chart provides a visualization of the 2010 CNW, 10-Year and 50-TOW opportunity estimates for the Waco Region and its component counties:

| Figure 19. Key Benchmark Indicators for 1970 through 2010 | | | |
|--|------------------|--------------------|--------------------|
| Geography | 2010 CNW | 10-Year TOW | 50-Year TOW |
| Waco Region | \$33.30 Billion | \$7.77 Billion | \$86.68 Billion |
| Bell County | \$12.19 Billion | \$2.83 Billion | \$41.81 Billion |
| Bosque County | \$958.14 Million | \$273.05 Million | \$2.12 Billion |
| Coryell County | \$2.62 Billion | \$449.11 Million | \$5.90 Billion |
| Falls County | \$747.25 Million | \$202.22 Million | \$1.32 Billion |
| Hill County | \$5.37 Billion | \$769.00 Million | \$6.17 Billion |
| Limestone County | \$1.24 Billion | \$328.90 Million | \$2.72 Billion |
| McLennan County | \$10.18 Billion | \$2.92 Billion | \$26.64 Billion |

The Region and Its TOW Potential. Waco and its region are part of the larger Texas I-35 corridor that includes Dallas and Fort Worth in the north and Austin and San Antonio in the south. This corridor is one of the most dynamic and important regions in the United States. This region includes seven counties (i.e., Bell, Bosque, Coryell, Falls, Hill, Limestone and McLennan) and key cities such as Waco, Temple and Killen. This region is also home to Fort Hood, one of the largest domestic military installations in the United States.

In 2010 the overall Waco Region sported a resident population of just over 719,000 residents. The following chart provides the historic (brown bars) and projected (green bars) annualized population growth rates for this region. Peak growth occurred in the 1970s with annualized rates of 2.28%. These rates of growth have remained strong but moderated in the 1980s, 1990s and 2000s. We are projected continued strong growth out over the next 50 years but rates that are more moderate when compared to the last 50 years.



The following table provides key indicators we employed in estimating this region’s 2010 CNW and projecting its TOW opportunity over the coming five decades. We are using scenario projections of a likely future. Our scenarios are conservative and based on transparent assumptions about this region’s future. In addition to our assumptions about demographic growth as captured in the previous chart, the following table provides the comparative annualized growth rates for population, employment and personal income for this historic period (1970-2010) with benchmark values for the United States. This information can be helpful in understanding how this region is performing with respect to wealth creation relative to Texas and the United States.

Considering the “labor to non-labor earnings” ratio for the Waco Region we have a slightly less dynamic economy when compared to Texas but a moderately more dynamic economy when compared to the nation. Nearly one in three dollars of personal income received by households in the region in 2010 was from non-labor earnings. Twelve percent of this total was from DIR or “dividends, interest and rent” income which is a strong indicator of current household wealth and giveback capacity. However, 19% of non-labor income is associated with transfer payments -- which is an indicator of

weaker philanthropic capacity. Both Texas and the region were not as deeply impacted by the Great Recession as the nation when peak unemployment values are compared.

| Figure 21. Waco Wealth Indicators | | |
|--|-------------|-------------|
| Indicator | Waco | U.S. |
| 2010 Population | 715,080 | 308,745,538 |
| 2000-2010 Annualized Change in Population | 1.49% | 0.93% |
| 2000-2010 Annualized Change in Households | 1.75% | 1.02% |
| 2000-2010 Annualized Change in Housing Units | 1.90% | 1.29% |
| Population Under 19 Years of Age | 190,952 | 194,296,087 |
| Population 19-64 Years of Age | 445,274 | 74,181,467 |
| Population 65 and Older Years of Age | 78,854 | 40,267,984 |
| Total Businesses | 23,599 | 12,239,616 |
| Businesses per 1000 Residents | 32.54 | 39.39 |
| Average Workers per Business | 11.47 | 11.95 |
| Percent of Creative Class Workers | 6.0% | 8.5% |
| Median Home Value, 2010 | \$93,712 | |
| Owner-occupied Housing Units w/o Mortgages | 58,624 | 24,053,370 |
| Percent Owner-Occupied Housing Units | 52.05% | 58.98% |
| Median Household CNW | \$50,868 | \$93,084 |
| Mean Household CNW | \$277,584 | \$418,865 |
| Peak Household CNW by Age Cohort | \$626,861 | \$737,941 |
| Age Cohort for Peak Household CNW | 65-74 | 55-64 |
| Millionaire Households as a Percent of Total | 4.13% | 7.56% |
| Annualized Population Change: | | |
| | 2000-2010 | 1.60% |
| | 2010-2020 | 1.19% |
| | 2020-2030 | 1.02% |
| | 2030-2040 | 0.84% |
| | 2040-2050 | 0.56% |
| | 2050-2060 | 0.57% |

Exploring ESRI research on household wealth for this region for 2010 we find that both median (the mid-point of all households) and the mean (the average of all households) CNW are substantially lower when compared to the Texas and U.S. benchmark values. The region has a higher range between rich and poor when compared to both U.S. and Texas. Roughly 4.1% of all households in 2010 have \$1 million plus estates compared to a U.S. value of 7.6%. While there is relatively lower philanthropic capacity in this region, there is significantly absolute capacity.

Donor Opportunity Areas. Based on our analysis we have flagged eight highly probably donor opportunity areas specific to the Waco Region. Other donor opportunity areas are likely present, but

these eight represent areas we strongly recommend for further exploration based on their capacity for philanthropic giveback and their likely incidence within the region.

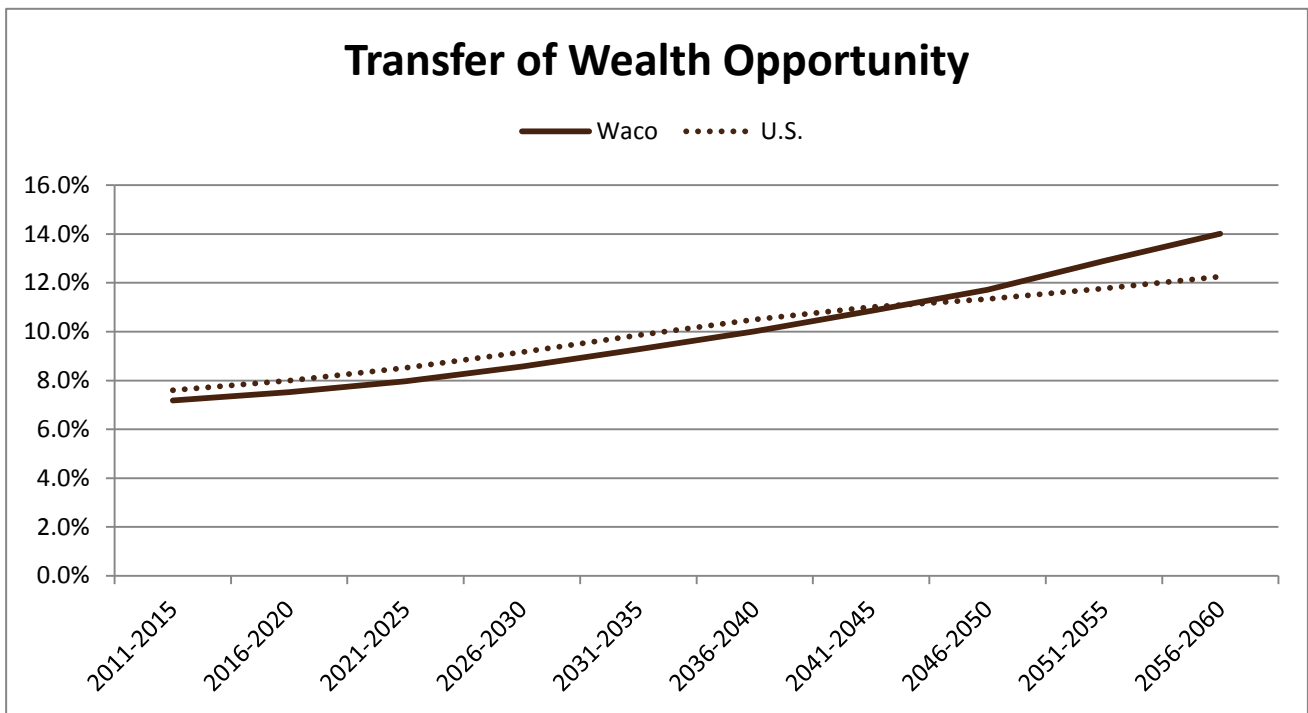
Figure 22. Waco Donor Opportunity Areas

| | |
|---|---|
| <p style="text-align: center;">Old Wealth</p> <p>Old wealth equates with inherited wealth that is passed on from one generation to the next. Often old wealth households are rooted generationally in a community or region. Typically old wealth families have a legacy of community engagement and building. Their charity is evident through past giving.</p> | <p style="text-align: center;">Thrifty Retirees</p> <p>Every community has them. Thrifty retirees are part of the social fabric of urban neighborhoods to rural villages. These are folks who work hard, spend less than they make, save and invest well and build modest estates over their lives. Generally they are rooted and inclined to give back.</p> |
| <p style="text-align: center;">Entrepreneurs</p> <p>America has a long and deep history and tradition of entrepreneurship. Entrepreneurs are a core group within the creative class. They innovate new products and services and in doing so create new wealth. Sometimes their success creates wealth for investors, family members, key employees and their host communities.</p> | <p style="text-align: center;">Driven Immigrants</p> <p>All of us, except Native Americans, are related to immigrants. There is a deep and rich tradition of immigration in America. Each year they come legally and illegally to create a safer and better life for themselves and their families. They are driven and often entrepreneurial. Within a generation or two they often realize success and form wealth. They are often motivated to give back.</p> |
| <p style="text-align: center;">Military Brass</p> <p>Since World War II the military has touched many lives. The size of the military has remained large creating retirement waves of career military. They often adopt a home close to a military base where there are services and other retired military. Most are not wealthy, but they have capacity to give back.</p> | <p style="text-align: center;">Specialized Professionals</p> <p>Even during the Great Recession there were jobs for many of them. They are highly educated and/or skilled professionals. They have unique skills and experience whether they are oil drillers to surgeons. They are well paid and have the potential to grow estates.</p> |
| <p style="text-align: center;">Farmers and Ranchers</p> <p>Personal wealth has long been associated with land ownership. While corporate agriculture has become part of the American scene. But there continues to be substantial numbers of closely-held family owned farms and ranches. In some parts of the country there is significant wealth and giveback associated with appreciating agricultural real estate.</p> | <p style="text-align: center;">Energy</p> <p>We most often think of the wealth associated with the land we can see. There is also wealth associated with the resources below the surface including energy resources. The renewal of energy development associated with hydro-fracking and horizontal drilling is creating new royalty wealth for those who still own their mineral rights.</p> |

TOW Opportunity Timing. Over the next five decades (2010 through 2060) this region’s TOW opportunity will become available. Each community or region has a unique Transfer of Wealth Opportunity trend line. Our TOW Opportunity Charts actually measure the percentage share of estates that are likely to come into play over the 50 year period. We are using this metric to illustrate the TOW opportunity timing because of the overall national pattern where wealth is concentrating and probability of giveback is declining over time. So tracking the incidence of estate transfers provides a better sense of the urgency for philanthropic action.

This region’s opportunity for philanthropic give back increases throughout the 50 year time frame for our projections. This is due to the fact that overall demographic, economic and wealth growth is projected to increase over time. In essence new wealth creation will increase faster than old wealth transfer occurs. The same is true for estate transitions. When compared to the U.S. TOW opportunity curve, this region has greater potential during the first half of the scenario period and this potential moderates relatively during the second half.

Figure 23. Waco Region & U.S. TOW Opportunity Timing Chart



We have prepared county specific TOW reports for each of the seven counties that comprise the Waco Region. These reports are available through the Project Electronic Library. Supporting research and analysis for each county is also available including a county specific Socio-Economic Profile.

Scenario Changers

No one can project 50 years (2010 to 2060) into the future with predictive accuracy. Contemplate for just a moment the fundamental changes that have occurred in society, economy and civic life in the United States and the world over the past 50 years (1960 to 2010). Our TOW opportunity estimates

are scenario projections. These scenarios are based on past history and reasonable, transparent and conservative assumptions on what the future will look like. The United States has just experienced the most challenging economic downturn since the Great Depression. The Great Recession is creating major resets in nearly every aspect of our economy and society. But scenarios, despite their limitations, are very helpful in assisting us in better understanding **what might be** and how we might act on these opportunities. With this caution in mind, we urge the reader to consider the following factors that could materially increase or decrease our TOW opportunity estimates for this part of Texas.

Figure 24. Scenario Changing Factors

| | |
|--|--|
| <p style="text-align: center;">World & National Economies</p> <p>The future is uncertain and the national and world recovery following the Great Recession is slow in developing. Large parts of Europe have fallen back into recession and growth in China is slowing. In our TOW scenarios, we assume a decade long slow recovery followed by a somewhat weaker post-2010 growth when compared to pre-2010 growth rates.</p> | <p style="text-align: center;">Regional Urbanization</p> <p>The region has been on a remarkable growth spurt spanning the entire post-World War II period. This growth has resulted in remarkable urbanization and wealth creation associated with rural to urban land conversion and development. We assume this trend will continue but at a somewhat slower rate of growth as the landscape is built out.</p> |
| <p style="text-align: center;">Immigration</p> <p>The three landscapes under study, Texas and the U.S. have experience stronger growth and wealth creation due to immigration. Uncertainty over international immigration policy and the Great Recession related erosion of domestic mobility has slowed growth in these regions. We assume a return to pre-Recession normality and partial resolution of international immigration policy.</p> | <p style="text-align: center;">Energy Development</p> <p>The introduction of new drilling technology related to horizontal drilling and hydrological fracturing of shale is a potential deal changer. The development of the Eagle Ford Shale formations is likely to directly and indirectly impact regional growth and wealth formation. While we cannot fully quantify these likely impacts, we do address a potential long range scenario based on available information.</p> |
| <p style="text-align: center;">Entrepreneurship & Creative Economy</p> <p>Within all three communities and particularly the Austin community, there are significant concentrations of entrepreneurial talent and creative economy activity. Entrepreneurs have great potential to change economies and wealth creation. We are assuming that these trends will grow over time and become more important.</p> | <p style="text-align: center;">Specialized Professionals</p> <p>The world’s demand for natural resources continues to challenge supply capacity. We assume that the real value of agricultural products will increase over time creating wealth in the production agricultural sector and particularly with respect to agricultural real estate. Our TOW estimates are more robust in farm country.</p> |

| Government | The Military & Fort Hood |
|--|---|
| <p>The role of government is under question and there is intense pressure at all levels to cut spending. These trends could impact those who are government contractors.</p> | <p>Like government, the military is under pressure to down size as the wars in Iraq and Afghanistan wind down. We are unclear how this would impact Fort Hood, but it could be material if downsized.</p> |

Energy Development. Presently five of the 19 counties that are the focus of this study have significant oil and gas production (Austin – Bastrop & Caldwell Counties; San Antonio – Guadalupe County and Waco – Hill and Limestone Counties). Another nine counties have some oil and gas production (Austin – Burnet, Travis and Williamson Counties; San Antonio – Bandera and Bexar Counties; and Waco – Bosque, Coryell, Falls and McLennan Counties).

The Eagle Ford Shale development current does not associate with the vast majority of the counties in the study region. However, things are changing rapidly and we recommend close monitoring of development activities. Even if this development does not directly impact counties within the study area, there are likely to be significant indirect and induced economic and wealth impacts.

A February 2011 study Economic Impact of the Eagle Ford Shale by the Institute of Economic Development at the University of Texas at San Antonio estimated the 2010 total economic impacts of Eagle Ford Shale development in Texas to be nearly \$3 billion dollars. Should this development prove comparable to the Bakken development in Western North Dakota, these impacts will rise rapidly.

Eagle Ford Shale

According to the Federal Reserve Bank of Dallas....

“Oil and natural gas activity is booming again in South Texas. The 2008 discovery of the Eagle Ford Shale play has breathed new life into industry in the region, where many mature and declining fields have operated for more than 40 years. Perhaps the largest discovery of new oil reserves in the United States since Prudhoe Bay, Alaska, in 1968.”

Development of the Eagle Ford Shale could generate an additional \$1 trillion in wealth. Recent speculation suggests that the potential value of oil and gas to be extracted from Eagle Ford Shale will surpass reserve estimates for the Bakken in Western North Dakota. Conservatively, if this proves true, upwards to \$1 trillion (in current dollars) of wealth will be produced directly (not counting indirect and induced economic impacts).

Estimates by RUPRI conservatively project the total value of resources to be extracted from the Bakken at \$1 trillion (in 2010 dollars). If this proves to be the case for the Eagle Ford Shale a 1% charitable giveback from this wealth could create \$10 billion in permanent endowments with a capacity to generate \$500 million annually in charitable grant making (assuming an annual 5% payout rate). The 1% giveback rate is theoretical, but increasingly being used as a goal or target in shale development landscapes. We cannot quantify in our current TOW scenarios how this development will impact the three region's TOW opportunities, but we believe it will be significant and should be monitored closely. It is a potential deal changer!

Real Estate and Wealth. Two lessons are clear from the last decade's challenging economic times. One reason that the 1990s was the greatest period for household wealth formation was due to the rapidly rising value of residential real estate. In retrospect in certain markets this created a housing bubble that contributed to the Great Recession. The second lesson relates to how the decline in residential real estate values is a primary reason for the loss of household wealth during and following the Great Recession.

The recovery in the housing market and residential real estate values is hugely important to overall national economic recovery. These trends have a direct bearing on current and future household wealth and the capacity for charitable giveback. We use these values to help us estimate current net worth and project future changes in net worth over time. These in turn impact the likely TOW opportunity.

Commodities

According to McKinsey and Associates (one of the leading think tanks on international trends) the value of all commodities will increase substantially over time.

Commodities include everything from oil to gold to corn. McKinsey and others argue that commodities are projected to continually rise in real value over time because of the world demand primarily associated with the emerging middle classes in such places as China, Brazil and India. Reaching middle class status creates a tipping point in demand for goods and services. This in turn drives the value of commodities. In most cases, demand is consistently rising faster than supplies.

The world's supply of farm and ranch ground is largely fixed. So as demand for agricultural commodities rises, it tends to increase the value of agricultural real estate and the associated wealth for its owners. These trends impact these region's TOW opportunities.

Within the three foundation regions there is over \$222 billion (\$1 trillion statewide) in property value based on calculations by the Texas Comptroller of Public Accounts (2010 data, 07.30.12). The breakout by foundation region is as follows:

- *Austin - \$114 billion*
- *San Antonio - \$88 billion*
- *Waco - \$20 billion*

These three regions are home to 18% of the State's population, but 22% of its property market value in 2010. This suggests a somewhat higher wealth concentration in these regions compared to the state based on this one asset class and indicator. Material changes in property values will impact our scenarios. We assume a continued real estate market recovery and moderately increasing values over time.

Agricultural Real Estate. Big cities like Austin, San Antonio and Waco are not necessarily known for their farms and ranches. But the role of production agriculture is not too far away and continues to have roots even in these largest of Texas cities. Production agriculture is an important part of these three regions. In more rural counties, agriculture is a driving force and source of household wealth.

According to the Texas Comptroller of Public Accounts (07.30.12) the 2010 value of farm and ranch classified properties in nearly \$300 billion in the three region area. These regions are home to 18% of the State's population and over 14% of its farm and ranch real estate value.

Real Estate Wealth

For most American households, their greatest asset is their home. For some it is their home, maybe a second home or investments in rental properties or agricultural real estate. We use the relative value of real estate and particularly residential real estate to benchmark likely current net worth for a specific county or region.

Second Homes

In general vacation, second or retirement homes are not a big TOW consideration in these three foundation regions. There are a hand-full of counties where what the Census Bureau defines as "vacation" home is important. The Census estimates the percent of homes among all housing units that are only seasonally used (this excludes typical commercial lodging like hotels and motels). The following counties have high incidences of vacation homes: Caldwell at 12.7% (Austin), Bandera at 17.3% (San Antonio), Bosque at 12.8% and Limestone at 8.1% (Waco). The likely owners of these homes may not be permanent residents within these regions and can represent an expanded donor opportunity area.

Typically, a smaller portion of agriculture estate wealth is transferred to charity when compared to other assets.

If just 1% of the current value of farm and ranch real estate were pledged to community philanthropy a total of \$3 billion in new endowments could be grown. Assuming a 5% annual payout rate, these endowments could generate \$150 million a year in grant making forever.

The following summarizes the estimated farm and ranch real estate market values by foundation region:

- Austin Region - \$180 billion
- San Antonio Region - \$147 billion
- Waco Region - \$ 43 billion

There is the potential for periods of double digit real value growth and we assume that agricultural real estate will become a more important component (particularly in more rural agriculture areas) over the coming five decades. States like Nebraska and South Dakota have been particularly aggressive in developing “ag based” giveback campaigns and strategies realizing impressive endowment building results.

Entrepreneurs. Conservatively, according to the Edward Lowe Foundation there are over 300,000 businesses within the three regions that are the focus on this study. When less

recognized and more informal home-based and part-time entrepreneurial ventures are considered this number could double. The first table on the next page summarizes for the last decade and a half (1995 through 2009) the percentage change in three key entrepreneurial indicators – establishments, jobs and related sales. This period covers the worst of both the 9-11 or 2001 recession and the Great Recession. While Texas was not damaged to the same degree as the Nation, let alone states like Florida, Indiana or Nevada – the Great Recession impacted business development and

Entrepreneurs

America and Texas have a long history of entrepreneurs or those people who create new products and services and in doing so, create wealth for themselves, their investors, their employees and families and the communities where they operate. Entrepreneurs continue to be deal changers and greatly impact past wealth creation and future wealth formation.

Edward Lowe Data

The Edward Lowe Foundation (capitalized from the wealth associated with “Kitty Litter”) has created a widely used entrepreneur tracking system at www.youreconomy.org. We use this research widely across the United States to gain insight on the rate of entrepreneurial activity within specific landscapes. This is just one window on how entrepreneurs have and are impacting wealth within these three regions of Texas.

entrepreneurship. Our TOW scenarios assume that there is recovery and that in these three regions there will be a surge associated with heightened entrepreneurial activity over time.

We assume the scale of this entrepreneurial activity will be smaller with larger shares of the job creation outsourced moderating overall regional demographic and economic growth. We assume wealth creation for those owning and investing in these entrepreneurial ventures will be significant over time (assuming, as we do, there is not a return to deep recession nationally).

All three regions posted positive and strong new establishment net formation. Austin also managed positive job creation (+12%) while both the San Antonio and Waco Regions posted net job destruction (-8% and -16% respectively). During this period (see second table on the next page) net job destruction was concentrated in non-Texas owned businesses and among larger businesses (Stage 3 and 4 resident businesses). There was a surge in self-employment reflecting a new generation of entrepreneurial activity. Some of these newly minted entrepreneurs will succeed and help drive economic renewal and a new round of economic prosperity over time.

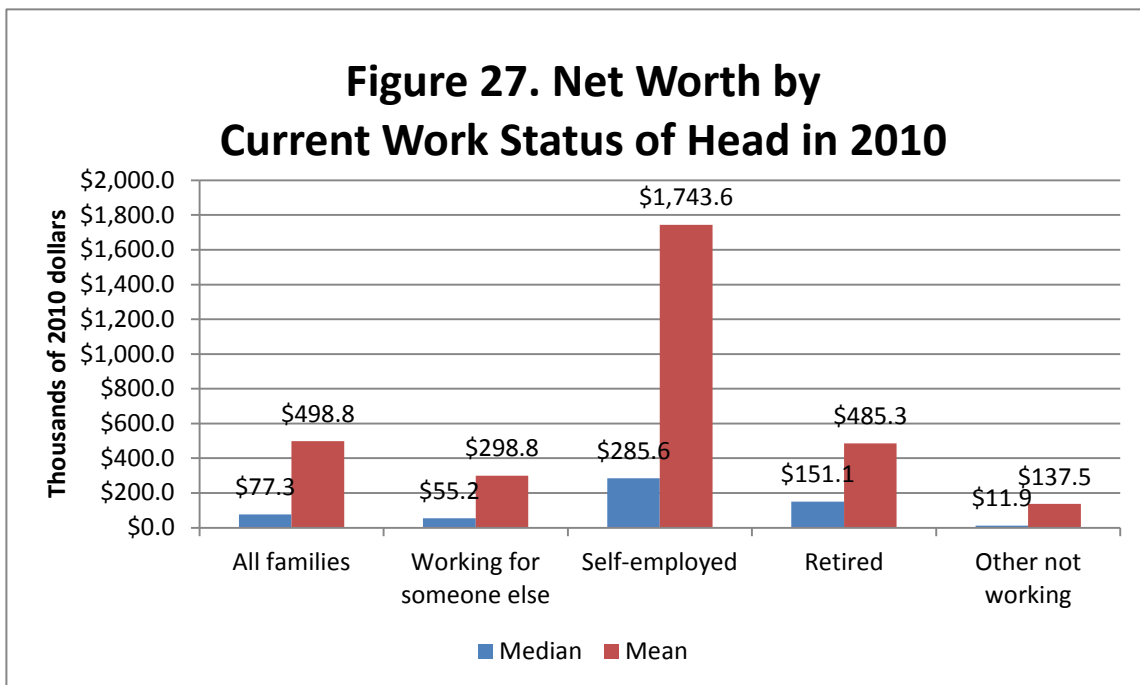
Figure 25. Establishment Change from 2000-2009 by Region

| Establishments | Austin | | San Antonio | | Waco | |
|-------------------|--------|---------|-------------|---------|--------|---------|
| | Change | % | Change | % | Change | % |
| Total | 65,744 | 89.93% | 52,082 | 70.70% | 14,759 | 54.26% |
| Noncommercial | 2,073 | 40.98% | 1,480 | 31.61% | 479 | 18.78% |
| Nonresident | -173 | -3.94% | -255 | -5.80% | -21 | -1.48% |
| Resident | 63,844 | 100.29% | 50,857 | 78.73% | 14,301 | 61.55% |
| Self-Employed (1) | 24,935 | 129.62% | 22,652 | 123.63% | 7,971 | 111.42% |
| Stage 1 (2-9) | 38,569 | 107.76% | 27,794 | 74.38% | 6,441 | 48.39% |
| Stage 2 (10-99) | 385 | 4.77% | 404 | 4.87% | -107 | -4.10% |
| Stage 3 (100-499) | -25 | -5.06% | 22 | 4.19% | -3 | -2.04% |
| Stage 4 (500+) | -20 | -33.33% | -15 | -18.52% | -1 | -10.00% |

Figure 26. Job Change from 2000-2009 by Region

| Jobs | Austin | | San Antonio | | Waco | |
|-------------------|---------|---------|-------------|---------|---------|---------|
| | Change | % | Change | % | Change | % |
| Total | 99,886 | 12.27% | -82,919 | -8.34% | -52,619 | -16.26% |
| Noncommercial | 15,678 | 10.95% | -97,594 | -41.89% | -49,499 | -47.84% |
| Nonresident | -7,841 | -4.46% | -38,968 | -20.50% | -13,580 | -21.67% |
| Resident | 92,049 | 18.60% | 53,643 | 9.38% | 10,460 | 6.64% |
| Self-Employed (1) | 24,935 | 129.62% | 22,652 | 123.63% | 7,971 | 111.42% |
| Stage 1 (2-9) | 82,582 | 64.72% | 57,101 | 42.62% | 11,158 | 23.67% |
| Stage 2 (10-99) | 11,068 | 5.77% | 13,446 | 6.90% | -2,038 | -3.30% |
| Stage 3 (100-499) | -4,888 | -5.45% | 3,015 | 3.07% | -2,309 | -9.26% |
| Stage 4 (500+) | -21,648 | -32.52% | -42,571 | -33.71% | -4,322 | -26.08% |

The following chart is from the 2010 Survey of Consumer Finance sponsored by the Federal Reserve summarizing household net worth by work status of the head of household. Of all the pathways we can choose, the greatest potential pathway to personal wealth is through business ownership as illustrated by the mean (the average) household net worth of self-employed persons at over \$1.7 million. This illustrates why entrepreneurship and business ownership are so important in our TOW analysis.



Self-employment reflects those ventures that have surfaced as “official” businesses with some kind of tax identification number and/or are being tracked by private firms like Dun and Bradstreet. The pool of these emergent businesses is typically much larger particularly as it relates to part-time or “side-line” kind of businesses. Often these entrepreneurs are slower to register and reflect their business activity on their tax filing for example. Not all self-employed business owners are entrepreneurial. Most will never create much of a footprint in either their local, let alone regional, economies. But some will do well and even a smaller subset will grow and become important players in their local and regional economies. Even fewer, but some, will reach statewide, national and even international markets. These entrepreneurs leverage new investment, create jobs and grow local, state and national tax bases. In doing so, they create wealth for themselves, families, employees, investors and communities. The rise of self-employment in the 2000s is also a reflection of the weak job and career markets. When talented and motivated people cannot find their dream job, or even a good job, they often turn to necessity entrepreneurship. Between 1995 and 2009, according to the Lowe Foundation, the percentage increases in self-employment are as follows:

- *United States = +165% -- Texas = +222%*
 - *Austin = +130% -- San Antonio = +124% -- Waco = +111%*
- These are regional values.

Properly supported, today’s struggling self-employed are seeds from which a new, dynamic and more competitive economy and society will grow. The potential is here rooted in a legacy of entrepreneurship that will likely increase wealth formation and estate growth in the coming five decades.

The Creative Class. There is a special subset of entrepreneurs often referred to as the **creative class**. This is the concept made famous by Richard Florida and his series of books and articles. The concept of the creative class is gaining credibility. One attribute of very creative people like Steve Jobs, Warren Buffet or Bill Gates is the commercialize innovation and in doing so they create massive new wealth. The following provides indicators of the creative class benchmarked to both Texas and the U.S. for the three foundation regions:

| Figure 28. Creative Class Indicators for Texas I-35 Regions | | |
|--|--|---|
| Geography | Percent employees in Creative Class | Ave. Wage of Creative Class Employee |
| Austin Region | 33.35% | \$50,000 |
| San Antonio Region | 37.17% | \$42,100 |
| Waco Region | 29.94% | \$38,200 |
| Texas | 33.23% | \$48,400 |
| United States | 35.57% | \$48,200 |

Donor Opportunity Areas

Increasing community focused philanthropic giving is a function of two inter-related factors:

- *Donor Giveback Capacity*
- *Donor Motivation to Give Back*

Transfer of wealth estimates across a specific geographic community is the **donor giveback capacity**. It is important that while donor giveback capacity is a fundamental condition for philanthropic giveback, it alone cannot predict actual giveback rates or levels. The role of community foundations and other philanthropic institutions are focused on the second conditional factor or **donor motivation to give back**. The second factor is a wild card and depends totally on the aggressiveness and sophistication of donor development activities. TOW defines the opportunity, but cannot predict actual giveback. This is the factor we are trying to influence through our philanthropic strategies.

Figure 29. Donor Opportunity Clusters

| | |
|--|---|
| <p style="text-align: center;">Rooted Wealth</p> <p>Rooted Wealth includes those DOAs associated with deeply rooted households with a long history of association with a community. Often times these households include the names of families that have played central roles in the history and development of a community or area. They generally have deep community attachment.</p> | <p style="text-align: center;">Entrepreneurs</p> <p>America has a long and deep history and tradition of entrepreneurship. Entrepreneurs are a core group within the creative class. They innovate new products and services and in doing so create new wealth. Sometimes their success creates wealth for investors, family members, key employees and their host communities.</p> |
| <p style="text-align: center;">Transplants</p> <p>America has a long history of immigration and household mobility. The movement of the people into the U.S. are from community to community is a source of development and often renewed wealth creation through thrift and entrepreneurship. We call this DOA transplants.</p> | <p style="text-align: center;">Specialized Human Talent</p> <p>They are often highly educated or have unique and specialized skills. In many cases they are part of the creative class. Because of their specialized human talents they are often richly rewarded and the potential to grow large estates. For many they start with very little and end very wealthy.</p> |
| <p style="text-align: center;">Resource Wealth</p> <p>Natural resource development has always been part of America’s development. It has the potential to enable great wealth formation for those that own it and see to its development. There is a boom in resources development today and we refer to this DOA as resource wealth.</p> | <p style="text-align: center;">High Net-Worth</p> <p>There are many ways to define and profile those households that are at the apex of household wealth holding. In our classification system we typically refer to the top 1% of American households with respect to wealth. By any standard they are high net-worth.</p> |

The TOW opportunity estimates are very helpful in enabling a community to better understand its unique donor giveback capacity. But these numbers do not shed much light on the qualitative nature of this capacity. In our effort to provide greater insight on your community’s TOW opportunity we have developed **donor opportunity area** profiles. This is emergent work and will continue to evolve as our research created deeper understanding of the quality and nature of potential donors in various landscapes. Presently we have identified six primary **donor opportunity clusters**. These are described in the chart on the preceding page. Within these six donor opportunity clusters we have identified 32 unique donor opportunity areas or groups. These are based on unique wealth creation patterns and asset holdings.

Within the three Texas regions we are studying we have identified nine specific donor opportunity areas that we encourage careful exploration. Given the size and diversity of these three regions, there are more donor opportunity areas at play and none should be excluded from consideration. We would encourage interested reads to spend some time with our paper titled *Donor Opportunity Areas, Energizing Community Development Philanthropy*. This paper can be found in the Project Electronic: http://www.energizingentrepreneurs.org/site/index.php?option=com_content&view=article&id=135&Itemid=37. In the interest of being focused and providing guidance we believe the eight areas we have flagged warrant more immediate review and attention.

Within each of the three Foundation Reports we have provided their specific donor opportunities. In our county reports, we have provided some guidance on which donor opportunity areas are likely present.

Figure 30. Three Regions’ Donor Opportunity Areas

| Other Donor Opportunity Areas | High Net-Worth |
|---|---|
| <p>These three regions have a combined population of over 4.5 million (2010, Census). By comparison, this population is more than some states and even some countries. This is a diverse and dynamic region. Chances are good that most donor opportunity areas are in play and should be explored.</p> | <p>There are many ways to define and profile those households that are at the apex of household wealth holding. In our classification system, we typically refer to the top 1% of American households with respect to wealth. By any standard, they are high net-worth.</p> |

| | |
|--|---|
| <p style="text-align: center;">Old Wealth</p> <p>Old wealth equates with inherited wealth that is passed on from one generation to the next. Often old wealth households are rooted generationally in a community or region. Typically old wealth families have a legacy of community engagement and building. Their charity is evident through past giving.</p> | <p style="text-align: center;">Thrifty Retirees</p> <p>Every community has them. Thrifty retirees are part of the social fabric of urban neighborhoods to rural villages. These are folks who work hard, spend less than they make, save and invest well and build modest estates over their lives. Generally they are rooted and inclined to give back.</p> |
| <p style="text-align: center;">Military Brass</p> <p>Since World War II the military has touched many lives. The size of the military has remained large creating retirement waves of career military. They often adopt a home close to a military base where there are services and other retired military. Most are not wealthy, but they have capacity to give back.</p> | <p style="text-align: center;">Driven Immigrants</p> <p>All of us, except Native Americans, are related to immigrants. There is a deep and rich tradition of immigration in America. Each year they come legally and illegally to create safer and better lives for themselves and their families. They are driven and often entrepreneurial. Within a generation or two, they often realize success and form wealth. They are often motivated to give back.</p> |
| <p style="text-align: center;">Entrepreneurs</p> <p>America has a long and deep history and tradition of entrepreneurship. Entrepreneurs are a core group within the creative class. They innovate new products and services and in doing so create new wealth. Sometimes their success creates wealth for investors, family members, key employees and their host communities.</p> | <p style="text-align: center;">Specialized Professionals</p> <p>Even during the Great Recession there were jobs for many of them. They are highly educated and/or skilled professionals. They have unique skills and experience whether they are oil drillers to surgeons. They are well paid and have the potential to grow estates.</p> |
| <p style="text-align: center;">Farmers & Ranchers</p> <p>Personal wealth has long been associated with land ownership. While corporate agriculture has become part of the American scene, there continues to be substantial numbers of closely-held family owned farms and ranches. In some parts of the country, there is significant wealth and giveback associated with appreciating agricultural real estate.</p> | <p style="text-align: center;">Energy</p> <p>We most often think of the wealth associated with the land we can see. There is also wealth associated with the resources below the surface including energy resources. The renewal of energy development associated with hydro-fracking and horizontal drilling is creating new royalty wealth for those who still own their mineral rights.</p> |

The Center for Rural Entrepreneurship's vision for rural America is one of vibrant communities and regions that embrace entrepreneurship, that find new sources of competitive advantage in their inherent assets, and that invest in a new more sustainable future for both present and future generations. The Center's mission is to help our local, regional and state partners achieve this future by connecting economic development practitioners and policy makers to the resources needed to energize entrepreneurs and implement entrepreneurship as a core economic development strategy.

These development efforts require financial resources. Most traditional sources of funding are challenged as governments, businesses and foundations struggle to meet rising community needs. A core program area for the Center is Community Development Philanthropy, where our team helps your community, region or state build a community wealth road map. Our Transfer of Wealth (TOW) research offers insight into possibly the greatest opportunity to tap new, significant and sustainable funding streams in support of growing better and stronger communities. For many communities and regions, TOW research can help jump start important conversations leading to greater community giveback.

The Center has conducted TOW studies for clients around the nation for more than 10 years, and has published a book titled, *Transfer of Wealth in Rural America: Understanding the Potential, Realizing the Opportunity, Creating Wealth for the Future*. More product offerings are planned under our Community Development Philanthropy area.

To learn more about the Center's history and program areas, go to www.energizingentrepreneurs.org

The Rural Policy Research Institute (RUPRI) provided founding support to create the Center for Rural Entrepreneurship in 2001. RUPRI's mission is to provide independent analysis and information on the challenges, needs, and opportunities facing rural people and places. The work of the Center for Rural Entrepreneurship, along with other centers and collaborations, helps RUPRI achieve this mission. To learn more about RUPRI, visit www.rupri.org