



Economic Outlook: Trends, Demographics, and Budget Insights

Council Workshop – March 3, 2025



ECONOMIC OUTLOOK (AGENDA)

Economic indices and trend information are included for the following areas:

**ECONOMIC
INDICATORS**

DEMOGRAPHICS

**BUDGETARY &
FINANCE**

These indices provide economic context leading into the annual budget process.



ECONOMIC INDICATORS



ECONOMIC INDICATORS

- Policy changes may increase market uncertainty and alter trend projections.
- Key policy factors impacted
 - Regulatory changes affecting businesses and economic activity
 - Tax policies influencing consumer and corporate behavior
 - Trade agreements & tariffs, impacting global commerce and costs
- Interest rate & inflation impact
 - Federal Reserve actions in response to economic shifts
 - Changes in expectations for future inflation
 - Price volatility due to tariffs
 - Consumer sentiment fluctuations
- Employment market trends
 - Employment levels and job growth
 - Impacts from policy changes



ECONOMIC INDICATORS



- Interest Rates
 - Fed rate cuts planned for 2025
 - Changes from what was previously projected, reflects changing economic conditions
 - Impacts to total cost of financing
- Inflation
 - CPI-U rates in the U.S. and DFW metropolitan area
 - Construction inflation
 - Resets to materials and supplies costs
 - Inflation moving forward
 - Impacts to operating and capital budgets
- Employment
 - Job creation, Texas and nationwide
 - Unemployment levels, stable markets
 - Impacts recruitment and retention



MULTI-FAMILY RENTAL RATE TRENDS

- Vacancy in Lewisville has stabilized over the past year thanks to improving demand.
- Throughout 2024, the daily asking rent per SF rose and fell, peaking at \$1.78 per SF in May before decreasing to \$1.73 towards the end of December. Rents declining is due to the sheer volume of units delivered in the market.
- Across DFW rent growth is expected to recover through mid-2025 before increasing in 2026 due to less supply and the market being relatively supply-constrained.



OFFICE SPACE TRENDS

- Lewisville currently has 5.5M square feet of inventory for office space, which was an increase from last year's inventory of 5.3M square feet.
- In 2024, 187,000 square feet of office space was under construction, which has been consistent with 2023. In 2023, the occupancy rate ranged between 77.5% to 81.1%.
- In 2024, the average occupancy rate was 79.12%. Over the coming years, the trend shows that occupancy will remain at approximately 79%.
- Over the past year, Lewisville's vacancy rate has changed by about 2.6%, a result of 270,000 SF of net delivered space and -20,000 SF of net absorption.

INDUSTRIAL SPACE TRENDS

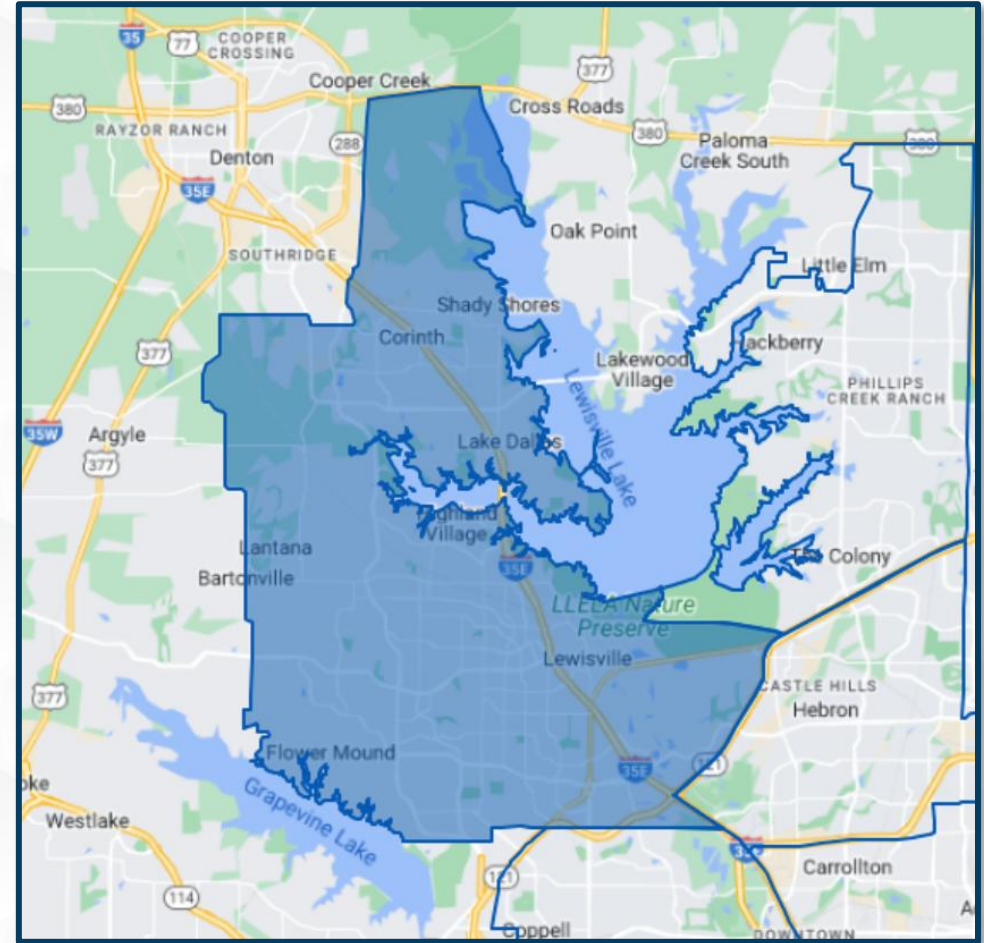
- 19.5M square feet of inventory with 562K under construction.
- According to Costar, Lewisville's net absorption is strong for this submarket. The first half of 2024 has seen strong tenant demand in the first quarter and despite the move-outs in the subsequent period, the vacancy rate remained relatively stable at 6.5%, below the market average.
- The occupancy rate in 2024 was 95.5%. The trend shows that occupancy rates are anticipated to stay around 95% in 2025.

City	Total Sq. Ft. of Industrial	Percentage of Total Land Area Used for Industrial
Frisco	5M	0.3%
Allen	3M	0.4%
Plano	12M	0.6%
Denton	20.2M	0.8%
McKinney	16M	0.8%
Flower Mound	10.5M	0.9%
Richardson	8.8M	1.1%
Grapevine	13M	1.3%
Lewisville	19.5M	1.6%
Mesquite	23.5M	1.7%
Fort Worth	177M	1.8%
Dallas	198M	1.8%
Garland	31.1M	1.8%
Arlington	49M	2.0%
Irving	41.8M	2.2%
Grand Prairie	66.5M	2.9%
Carrollton	37.1M	3.6%
Coppell	29.2M	7.1%

*Cities not built out are naturally lower

RETAIL TRENDS

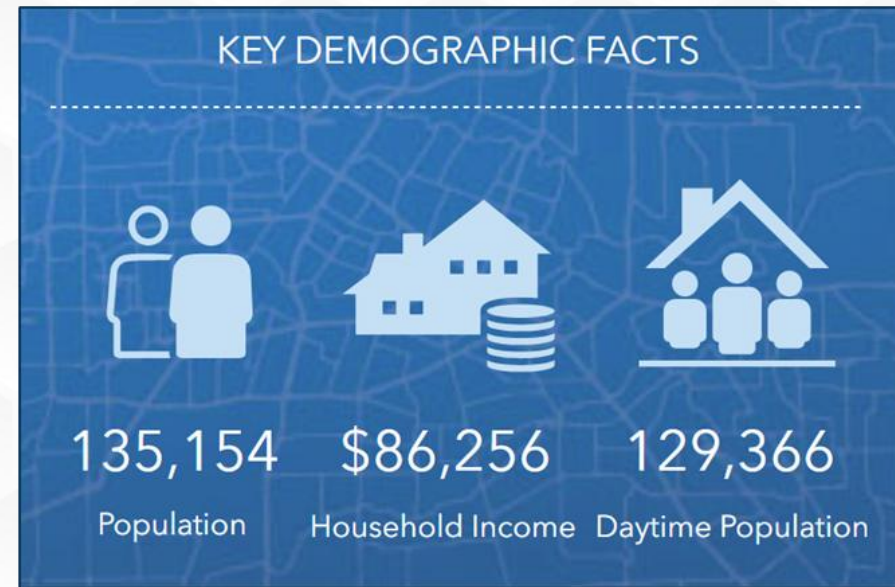
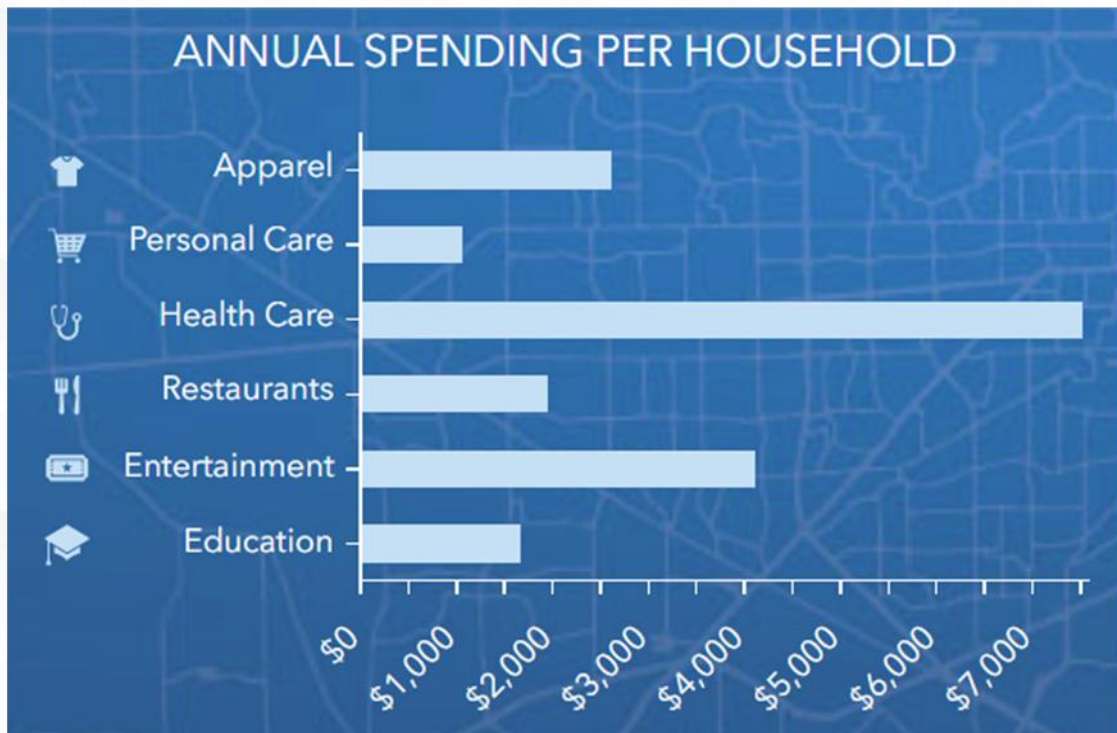
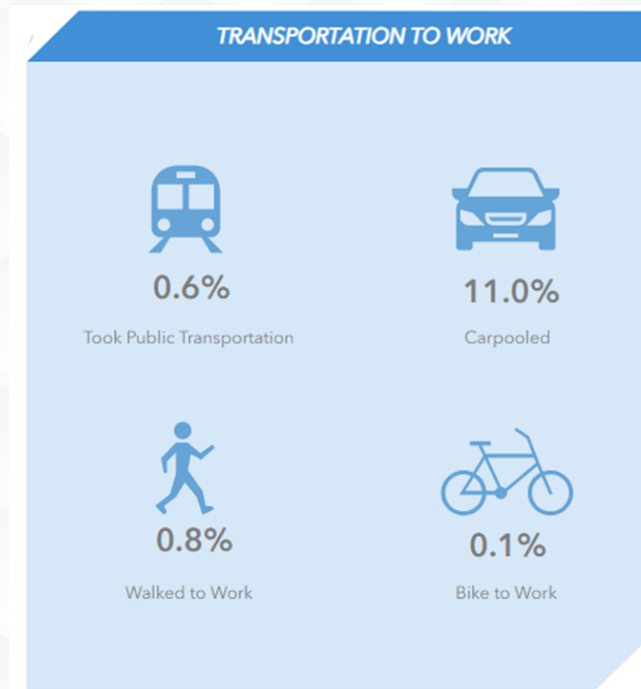
- In 2024, Lewisville occupancy rates remained steady at 93%. The forecast shows that occupancy will remain relatively flat at 93% over the coming years.
- In the last year, over 63,000 square feet of retail space was delivered.
- With 19.0 million SF of space, Lewisville remains the single largest retail submarket across all of North Texas.



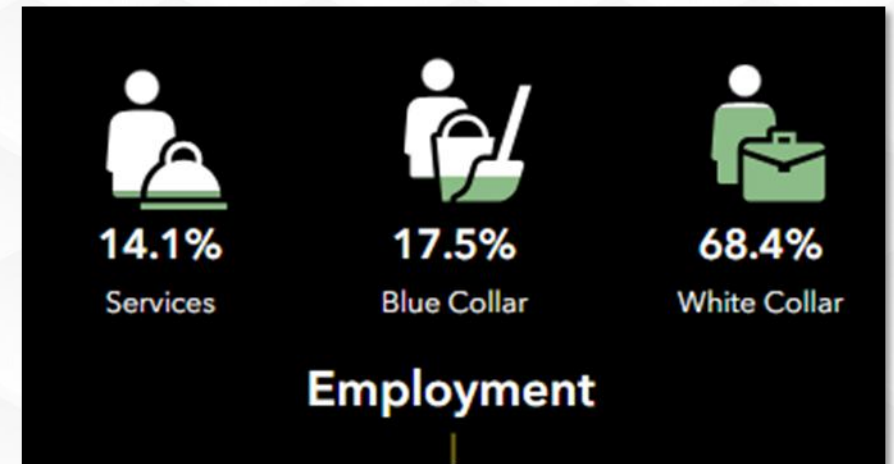
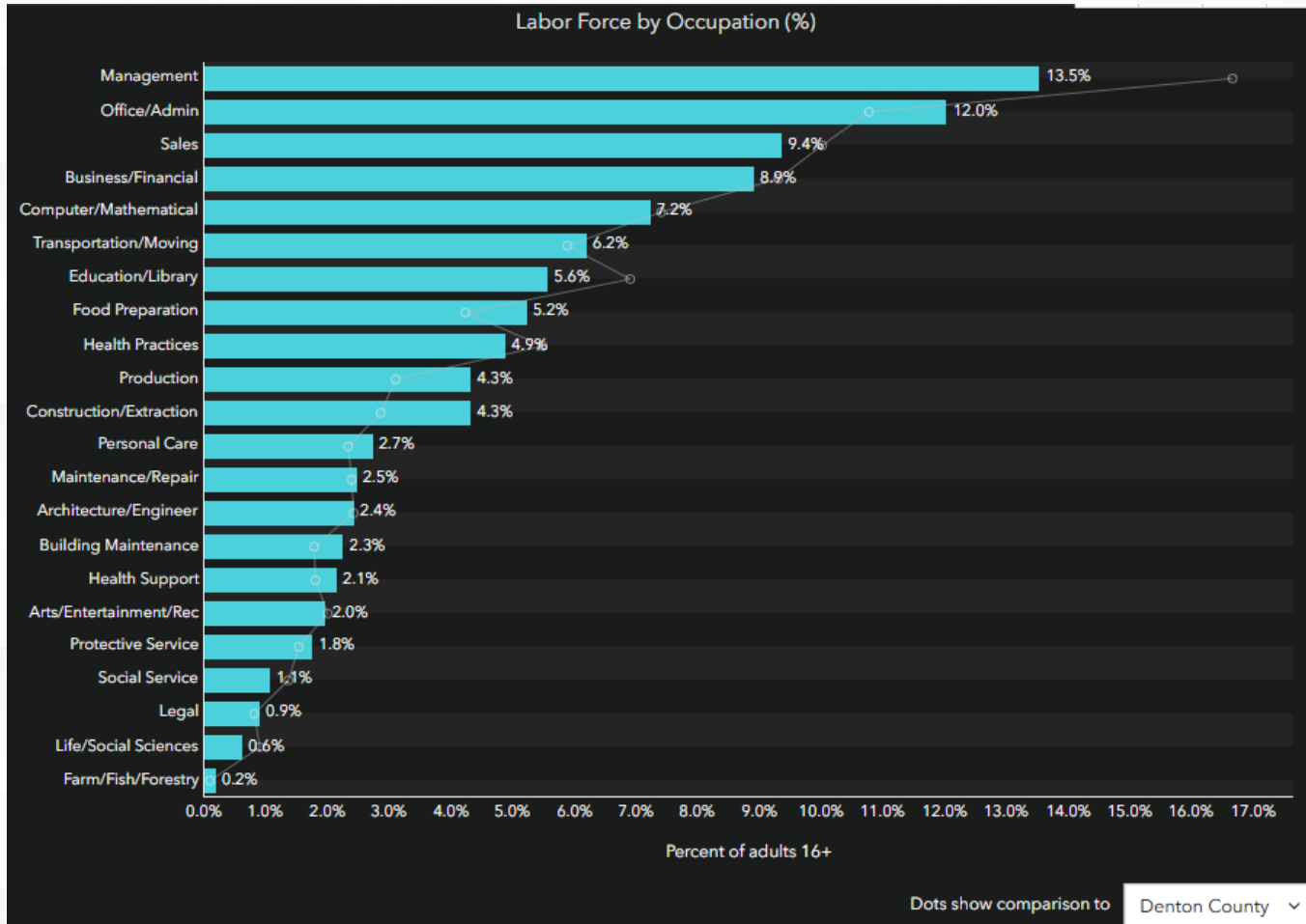
Lewisville, Highland Village, Corinth, Lake Dallas, Flower Mound, Lantana, Bartonville, Copper Canyon



DEMOGRAPHICS



TOTAL NUMBER OF JOBS IN LEWISVILLE



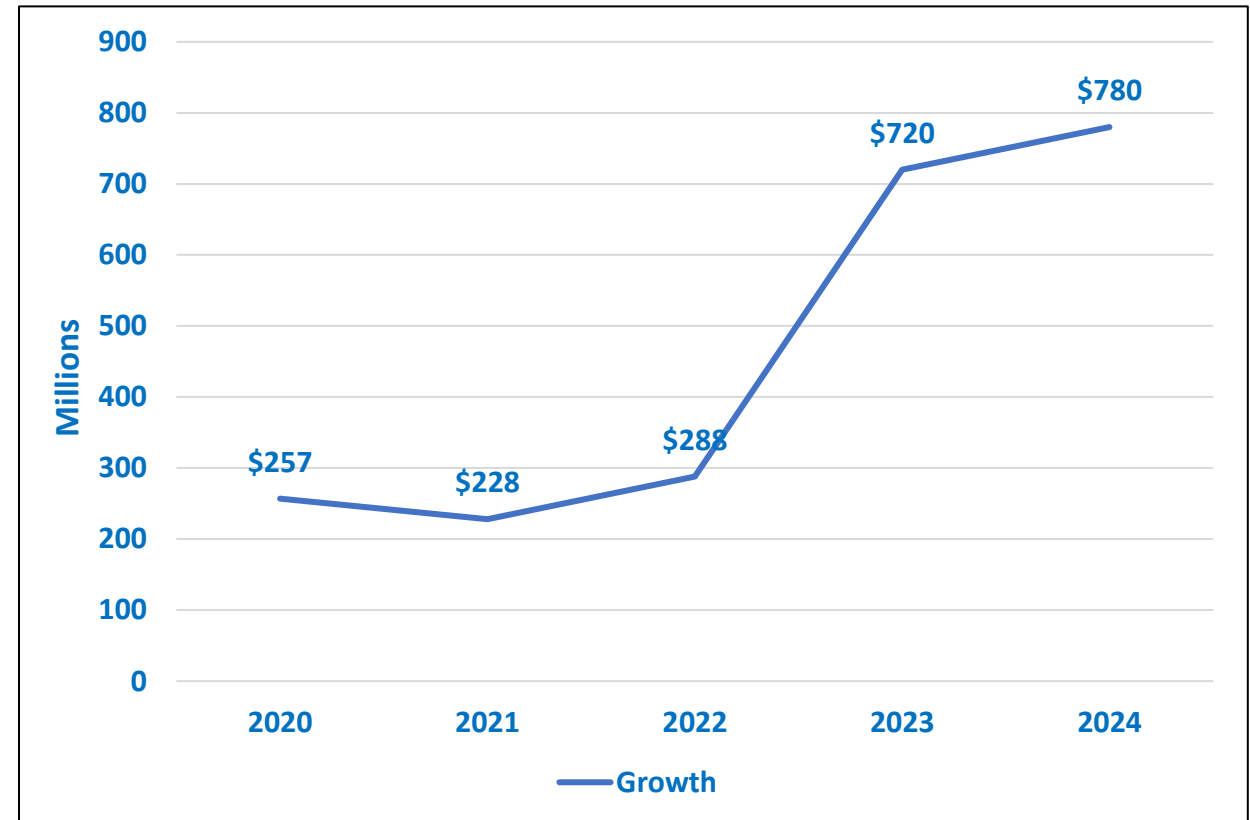
Source: ESRI ArcGIS Business Analyst

ASSESSED VALUE GROWTH

Tax Year	Fiscal Year	TAV	% Growth
2020	2021	11,750,744,030	5.21%
2021	2022	12,153,639,782	3.43%
2022	2023	16,991,471,159	39.81%
2023	2024	18,956,387,907	11.56%
2024	2025	19,443,205,141	2.57%

- The pace of growth had slowed prior to annexation
- Factors impacting tax values after annexation
 - Absorption of District parcels into City rolls and increased property values (TY 2022)
 - Increased property values (TY 2023)
 - Increased residential and multi-family property values offset by smaller gains in commercial and BPP (TY 2024)

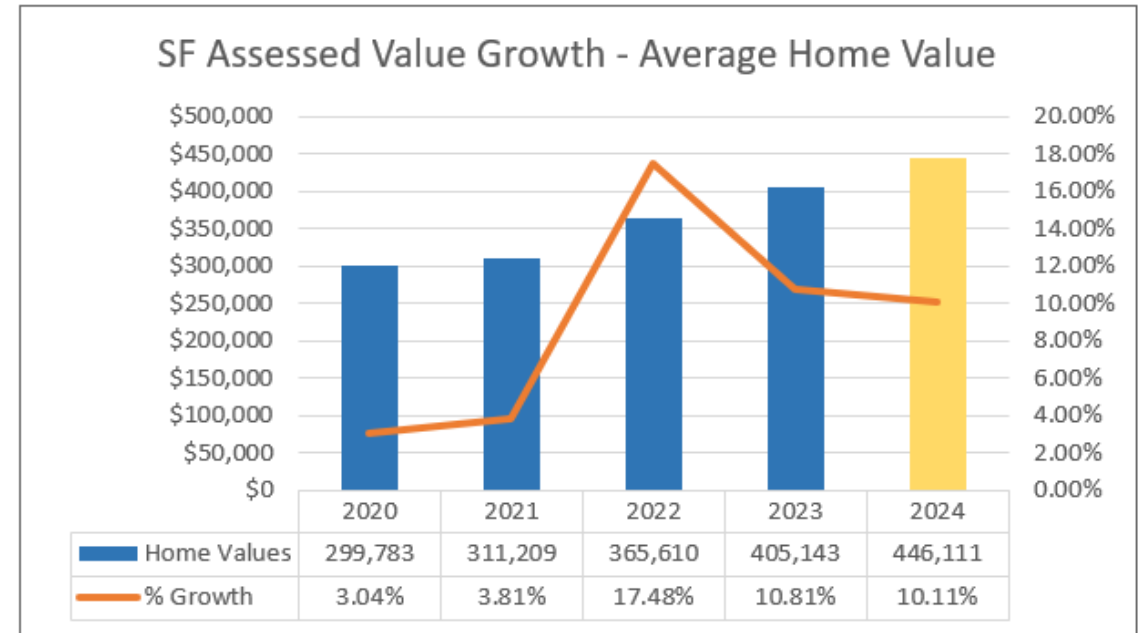
Trend in New Value



SF ASSESSED VALUE GROWTH TREND

- Near-term projection for home value growth
 - Continue to be impacted by escalating home values
 - Some slowdown in the housing market
 - Playing “Catch-up” with market values
- Long-term increases of 4% - 6% projected
- Tracking average and median home values

Tax Year	Fiscal Year	Home Values			
		Average	% Growth	Median	% Growth
2020	2021	299,783	3.04%		
2021	2022	311,209	3.81%		
2022	2023	365,610	17.48%		
2023	2024	405,143	10.81%	351,567	
2024	2025	446,111	10.11%	371,349	5.63%



OLD TOWN PROJECTS

COMPLETED



The Whitlow

420 MF Units

Capital Investment: \$77M



Main and Mill Lofts

203 MF Units

Capital Investment: \$40M



Mill at Old Town

213 MF Units

Capital Investment: \$30M

UNDER CONSTRUCTION



Aura Main Street

325 MF Units

Capital Investment: \$102M



Deck On Main

Commercial – restaurant, office, event space

Capital Investment: \$5M+

OTHER PROJECTS



Heritage Trails/Heritage Towers

Complete

Townhomes; Multifamily Units

Capital Investment: \$98.8M



Bison Grove

Complete

Office/Warehouse

Capital Investment: \$69.5



Lakeside Crossing

Under Construction

Multifamily Units; Townhome;
Retail/Restaurant; Live/Work units

Capital Investment: \$14.3M



Wells Fargo

Under Construction

Data Center

Capital Investment: \$470M



Merit (Legacy North)

Under Construction

Multifamily Units; Commercial and
Dog Park

Capital Investment: \$41M



Crown Centre

Under Construction

Multifamily

Class A Office

Trails and green space

Capital Investment: TBD



BOND RATING CONSIDERATIONS



- The most recent ratings were conducted in August 2024
 - The city requested ratings from both S&P and Fitch bond rating agencies
 - Revenue Bonds are rated AAA by both S&P and Fitch, while General Obligation (GO) bonds are rated AAA by S&P and AA+ by Fitch
- Key rating drivers noted by S&P:
 - Solid finances and **maintenance of solid reserves**
 - Very strong management with **strong financial management policies**
- Fitch narrative:
 - Lewisville's financial resilience – strong
 - Driven by its 'High' **revenue and expenditure control**
 - Strong **population trend** and a **population and economy of sufficient size and diversification**
- These ratings play a key role in determining borrowing costs and reflect the credit risk of the issue
 - The final interest rates for the Series 2024 GO and Utility Revenue bonds were 3.41% and 3.42%, respectively



BLUE RIBBON AND 2024 BOND ELECTION

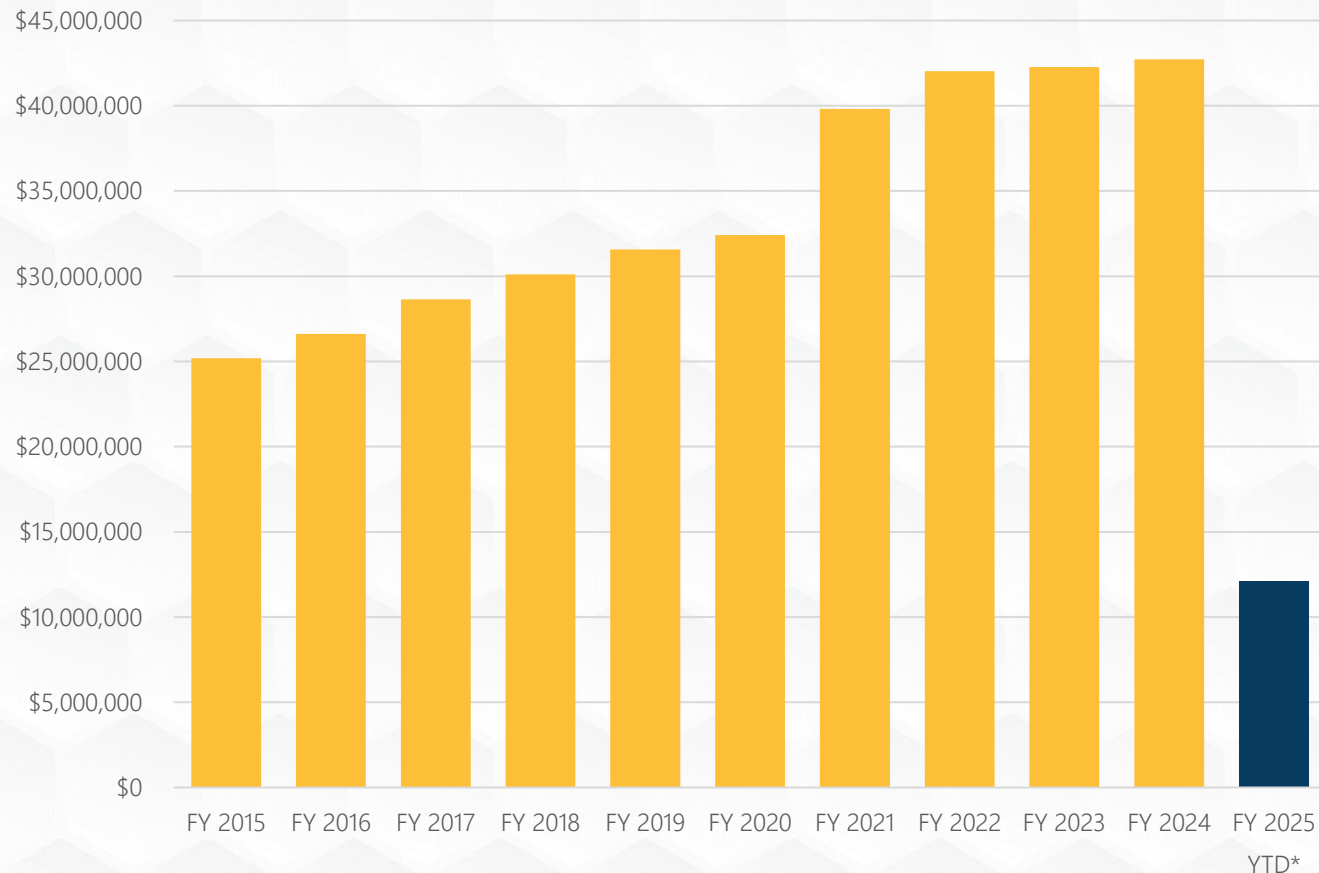
- Blue Ribbon Committee identified capital project priorities to be funded over the next 10 years: \$263.4M
- Propositions considered were for Streets, Animal Shelter Expansion, Public Safety, and Parks and Open Space
- Bond election overwhelmingly approved by voters in May 2024
- All propositions received strong support, averaging 74% voting in favor
- Funding of year-one projects includes (\$25.5M issued):
 - Animal Shelter Center Expansion
 - Various neighborhood and arterial streets and roadways
 - Land acquisition for public safety and parks
 - Trail development
 - Public art included in many of these project budgets



BUDGETARY & FINANCE

SALES TAX – GENERAL FUND

Actuals - General Fund



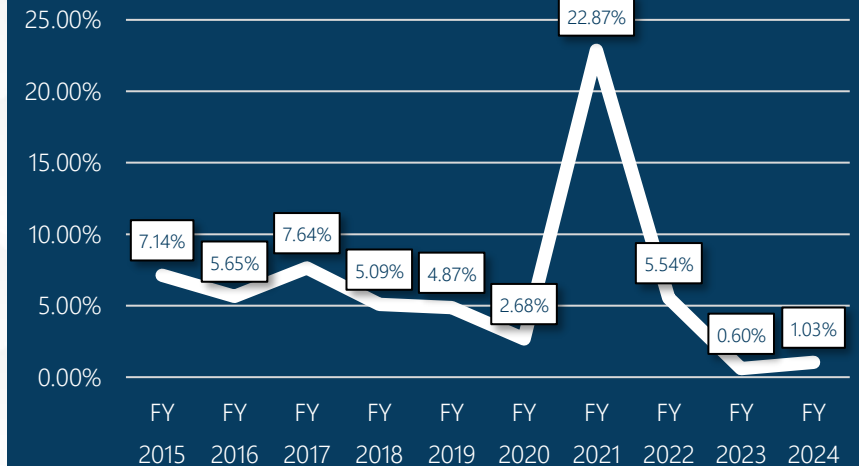
*Data as of 2/24/2025.

FY 2024 actuals increased by \$435K or just over 1% when compared to last year's actuals.

In recent years, we continue to see increased sales tax revenue but have recognized a slowing of that growth, indicating a potential flattening of this revenue source.

Staff is working with our sales tax audit firm to identify any potential audits that may produce additional revenue.

Percent Change from Prior Year





SALES TAX LITIGATION STATUS

- **July 2021** – Lawsuit was filed by the *Coalition for Appropriate Sales Tax Law Enactment (CASTLE)*. City of Coppell, Texas; the City of Humble, Texas; the City of DeSoto, Texas; the City of Carrollton, Texas; the City of Farmers Branch, Texas; and the City of Round Rock, Texas v. Glenn Hegar
- **August 2021** – Parties agreed on a temporary injunction, provisions of Rule 3.334 would not be implemented until final disposition on the litigation.
 - During the injunction period, the Comptroller introduced multiple amendments to refine definitions and meet procedural requirements. The provisions of Rule 3.334 remain unenforced throughout the injunction period.
- **May 2024** – Original trial date.
- **October 2024:** New trial date set.
 - Bench trial took place during the week of October 14th
- **December 2024:** Decision issued December 3rd
 - Ruling favored CASTLE and Round Rock, with the Comptroller being “permanently enjoined” from enforcing relevant sections of Rule 3.334
 - Some ambiguity remains in the ruling’s wording, prompting a request for clarification through a “Motion to Modify”
 - Expected a ruling by the end of the year, no updates have been provided as of today

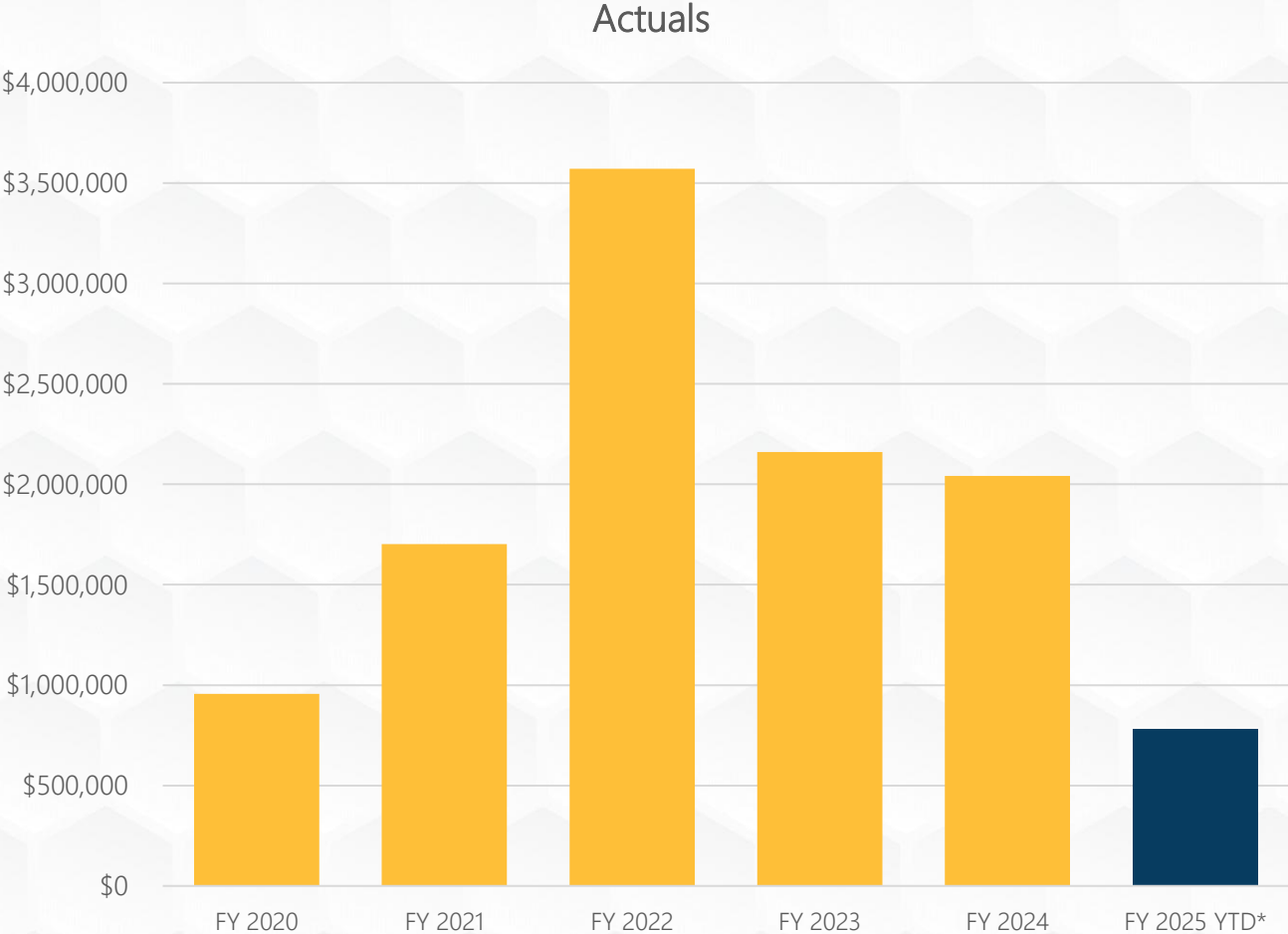
Building permit revenue is based on actual projects the City is aware of. Smaller permit revenue sources are typically not budgeted but add a small revenue boost each year.

FY 2024 actuals ended the year \$119k less than the year before, but \$341k more than the mid-year FY 2024 estimate.

Projects scheduled to occur in FY 2025 include Lakeside Crossing Multifamily and Townhomes and Valley Parkway Business Park.

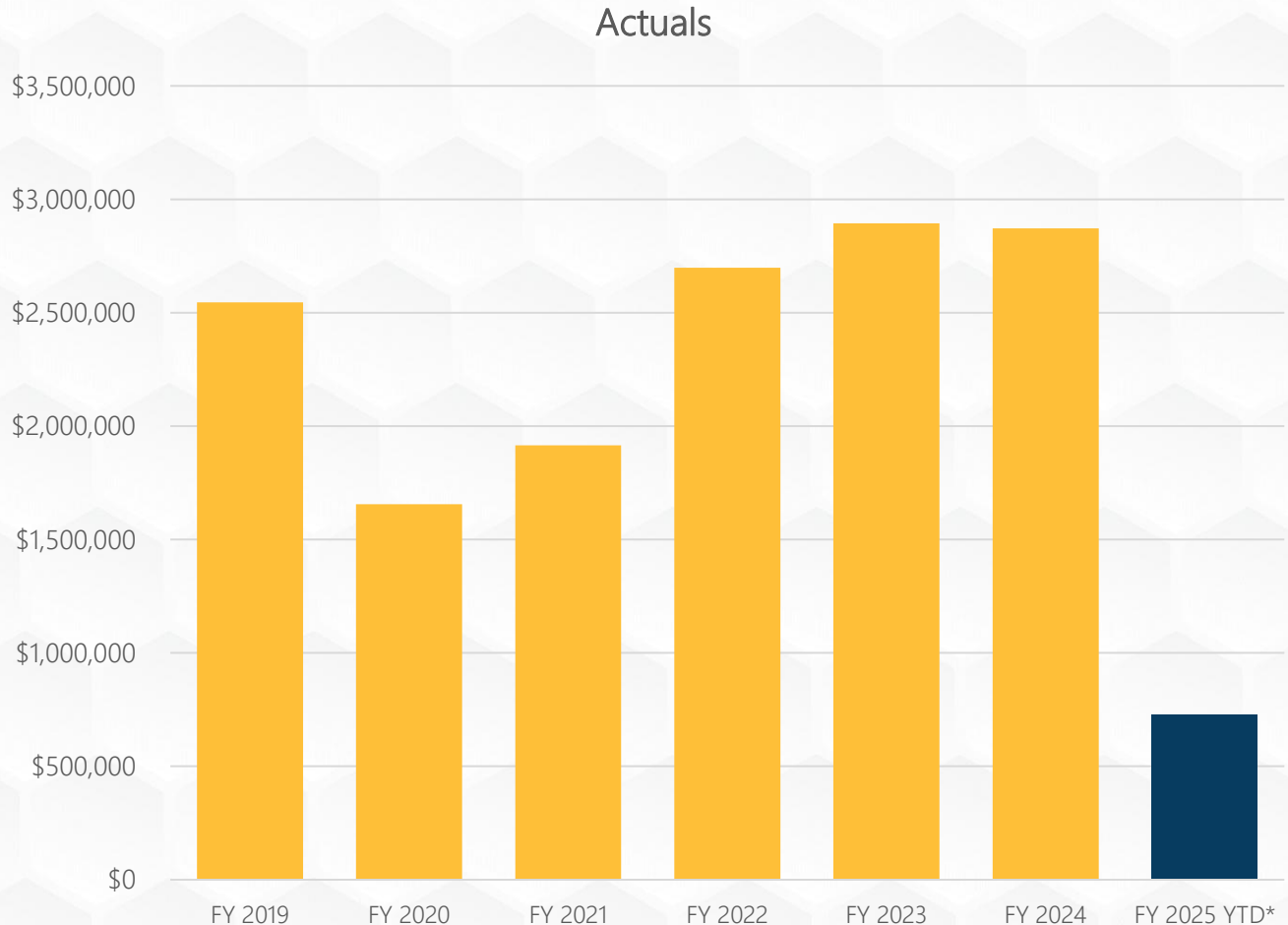
As of late February, FY 2025 actuals are already close to \$800k.

BUILDING PERMITS



*Data as of 2/24/2025.

HOTEL/MOTEL TAX REVENUE



*Data as of 2/24/2025.

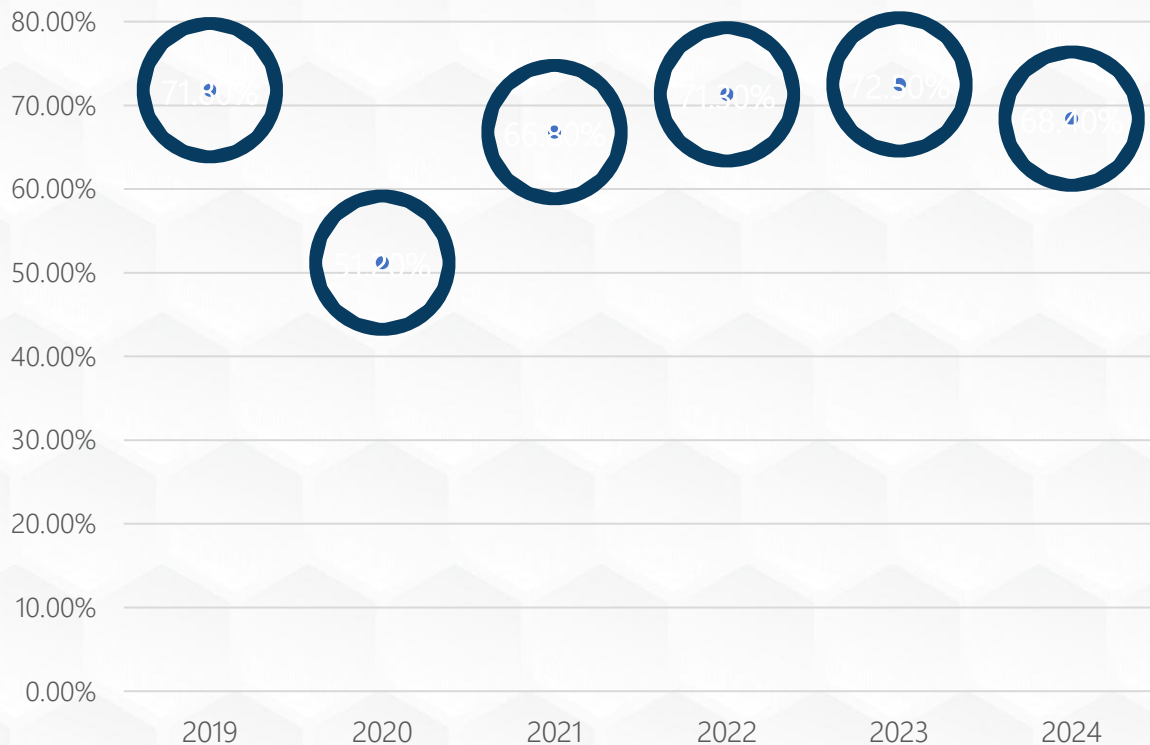
FY 2024 actuals came in only \$22.5k less than the prior year, despite seeing a somewhat larger drop in occupancy rates.

The City began collecting hotel occupancy taxes from short-term rentals in August 2024. This amounted to \$7,668 for those few months in FY 2024.

As of late February, FY 2025 STR hotel occupancy tax revenue amounts to \$40,650.

HOTEL/MOTEL OCCUPANCY RATES

Occupancy Rates



*Data through December 2024.

Total number of rooms has increased (hotels only, not including short-term rentals).

↑ Change in supply: **10,920** more room nights available than last calendar year.

↓ Change in demand: **23,152** less rooms nights demanded compared to last calendar year.

Result: More supply and less demand is contributing to decreasing occupancy rates. More importantly, though, this seems to be a regional pattern. Other DFW cities have experienced similar declines.

However, revenue has not been impacted to the same extent as demonstrated on the previous slide.

FEDERAL FUNDING NOT YET RECEIVED

Staff is keeping apprised of any changes in federal funding. If any reimbursements that were previously awarded but have not yet been reimbursed are denied, the City will put in place temporary funding measures until a final solution can be determined. Below are projects with federal funding, including pass-through grants from state or local entities, with pending reimbursements or reimbursement requests that have not yet been submitted.

- As of February 24, 2025, one grant award agreement (**SS4A***) and two grants already awarded (**Community Forestry****) have been suspended. The agreement was in the process of being finalized and had not yet been executed by City Council.

Department	Grant/Funding Name	Funding Agency	Project Description	Amount Awarded	Amount Spent	Percent Spent	Type of Funding
Engineering	Safe Streets 4 All*	Department of Transportation	Traffic Safety Plan	\$480,000.00	\$0.00	0.0%	Reimbursement
Engineering	Federal Aid – Highway Program	Department of Transportation (Pass-Through)	I-35 Utility Relocation	\$10,085,175.00	\$8,340,807.65	82.7%	Reimbursement
Engineering	Federal Aid – Highway Program	Department of Transportation (Pass-Through)	Main St. & Garden Ridge Intersection	\$214,372.00	\$0.00	0.0%	Reimbursement
Engineering	Federal Aid – Highway Program	Department of Transportation (Pass-Through)	Traffic Signal Equipment – Intersections Along I-35	\$222,276.00	\$0.00	0.0%	Reimbursement
Fire	Urban Area Security Initiative	Department of Homeland Security	Outdoor Warning Sirens	\$136,881.92	\$0.00	0.0%	Reimbursement

FEDERAL FUNDING NOT YET RECEIVED

Department	Grant/Funding Name	Funding Agency	Project Description	Amount Awarded	Amount Spent	Percent Spent	Type of Funding
ITS	State and Local Cybersecurity Grant	Department of Homeland Security (Pass-Through)	Clearpass Integration – Network Access Control	\$39,202.00	\$0.00	0.0%	Reimbursement
NIS	Community Development Block Grant – Plan Year 2022	Department of Housing and Urban Development	Various	\$783,866.00	\$747,964.40	95.4%	Reimbursement
NIS	Community Development Block Grant – Plan Year 2023	Department of Housing and Urban Development	Various	\$762,768.00	\$275,537.84	36.1%	Reimbursement
NIS	Community Development Block Grant – Plan Year 2024	Department of Housing and Urban Development	Various	\$818,349.00	\$12,236.32	1.5%	Reimbursement
NIS	Community Development Block Grant – CV (COVID-19)	Department of Housing and Urban Development	Various	\$1,209,204.00	\$1,187,756.86	98.2%	Reimbursement
NIS	Home Investment Partnerships Program	Department of Housing and Urban Development	Affordable Housing	\$500,000.00	\$13,729.79	2.7%	Reimbursement
Parks and Recreation	Green Ribbon Program	Department of Transportation (Pass-Through)	I-35E Landscaping Improvements	\$1,344,246.00	\$1,059,687.37	78.8%	Reimbursement

FEDERAL FUNDING NOT YET RECEIVED

Department	Grant/Funding Name	Funding Agency	Project Description	Amount Awarded	Amount Spent	Percent Spent	Type of Funding
Parks and Recreation	Community Forestry Grants**	Department of Agriculture (Pass-Through)	Health Equity (\$50k) & Tree Growth (\$10k)	\$60,000.00	\$23,065.27	38.4%	Reimbursement
Police	Justice Assistance Grant	Department of Justice (Pass-Through)	Outer Vest Carriers, Attachments, and Other Safety Equipment	\$24,596.00	\$0.00	0.0%	Reimbursement
Police	Justice Assistance Grant	Department of Justice (Pass-Through)	Individual First Aid Kits	\$21,798.00	\$0.00	0.0%	Reimbursement
Police	COPS Hiring Program (CHP)	Department of Justice (Pass-Through)	Partial Salary of Three Police Officers (\$125,000 each year for 3 years)	\$375,000.00	\$20,344.83	16.3%	Reimbursement
City Manager's Office	Energy Efficiency & Conservation Block Grant	Department of Energy	Replacement of Fleet with Electric or Hybrid Vehicles	\$158,000.00	\$0.00	0.0%	Reimbursement

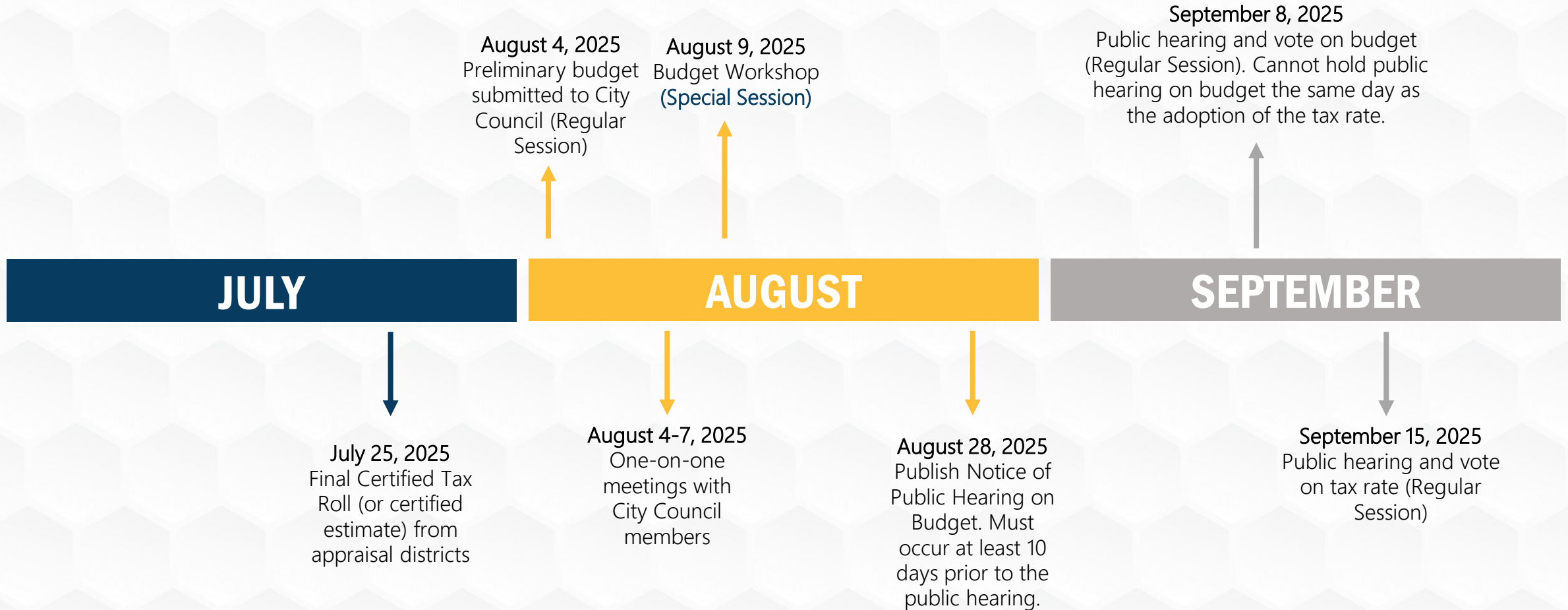


BUDGET CALENDAR DISCUSSION

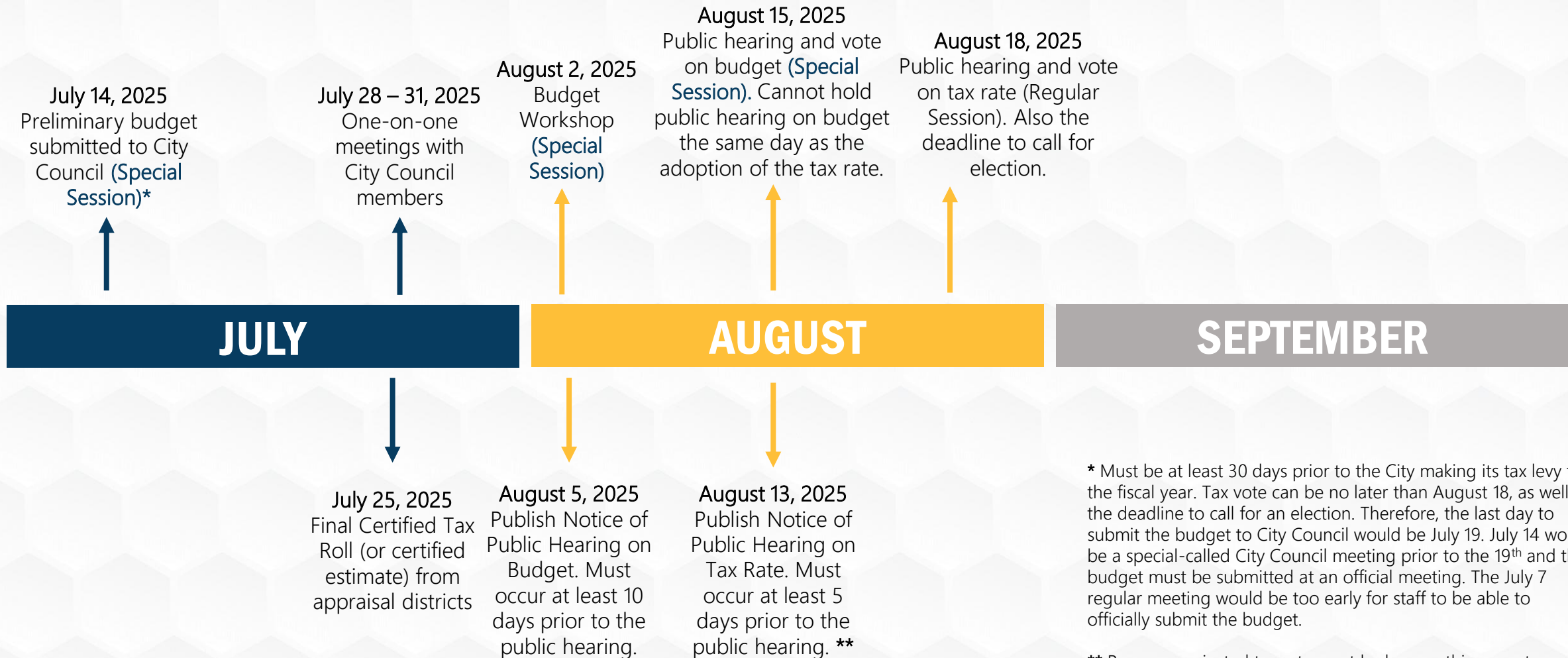


- Staff brings the budget calendar to City Council each year during retreat to determine if the calendar should include the option for an election.
- The budget calendar is based on state law and regularly-scheduled City Council meetings. State law requires different deadlines depending on whether or not an election will be called to increase the property tax rate more than **3.5%** above the effective tax rate.

BUDGET CALENDAR – NO ELECTION



BUDGET CALENDAR – ELECTION OPTION



* Must be at least 30 days prior to the City making its tax levy for the fiscal year. Tax vote can be no later than August 18, as well as the deadline to call for an election. Therefore, the last day to submit the budget to City Council would be July 19. July 14 would be a special-called City Council meeting prior to the 19th and the budget must be submitted at an official meeting. The July 7 regular meeting would be too early for staff to be able to officially submit the budget.

** Because projected tax rate must be known, this cannot occur prior to the budget workshop.



STAFF RECOMMENDATION

- Expecting property tax revenue increase
- Most other major revenue sources continue to trend upward
- Staff will continue to:
 - Monitor inflation rates and interest rates
 - Track trends in sales tax revenue, building permits, occupancy rates, and federal funding
 - Review revenue sources annually, including fees and charges for services, to ensure the City is appropriately recovering costs associated with providing these services and will modify fees when warranted
- Based on these economic trends and operational priorities, staff's recommendation is to proceed **without** the option of an election for FY 2026