

# TEXAS: BIG LAND BIGGER DREAMS BIGGEST SUCCESS



## Area Development Site and Facility Planning

April 1, 2006 | Bastian, Lisa A; Perry, Rick

Growing up, I watched old "Western" movies in which Texas was routinely depicted as an almost mythical place where even impossible dreams could come true. No matter what the story line, Texas cowboys always rode into glorious sunsets that tilled the biggest skies on the planet. Solid business opportunities were almost limitless, and the state's friendly, courageous people led productive lives guided by a Herculean "cando" work ethic. Today, as a transplanted Texan of five years, I can attest that Hollywood's heroic view of the Lone Star State isn't far off the mark from reality.

## NATIONAL & INTERNATIONAL ACCOLADES

Texas truly is "wide open for business," offering the natural and human resources necessary to support and spur phenomenal job growth for domestic and international companies alike. Employment here is at an all-time high, and last year Texas landed more job-creation projects than any other U.S. state. Clearly something white hot is happening synergistically to bring in new corporate citizens and support exciting new economic development strategies, particularly those focused on technology-based industries.

According to the state comptroller's office, the gross state product (GSP) for 2004 was \$880.9 billion, and the estimate for 2005 is a whopping \$936.6 billion. A longrange plan formulated in 2004 by the same office estimated that the GSP will be \$1.1 trillion in 2010, \$1.5 trillion in 2015, \$2 trillion in 2020, and \$2.7 trillion in 2025. Other forecasts see an estimated 4 percent GSP increase from 2004 to 2010, and an average GSP increase of 7 percent per year for the same period. No matter how they're sliced and diced, the state's GSP current and future statistics are quite impressive.

In the past few years alone, Texas has flexed its massive economic development muscles with a number of other high-profile benchmarks, leaving most states salivating for just a small piece of the same action. For example, in 2004, Texas claimed 10 of America's top-20 capital investment projects. In 2005, Fortune magazine ranked Texas second in the nation in its annual survey of fastestgrowing companies for having 18 of the country's top-100 within its borders. Presently, Texas is the largest exporting state for the third consecutive year, with 2005 exports valued at more than \$128.7 billion.

On the international stage, last June the Lone Star State garnered global accolades for its business-first attitude, when Foreign Direct Investment magazine announced the winners of its first annual "U.S. Cities and States of the Future" contest. Besides grabbing top honors as the 2005/2006 "State of the Future," Texas also ranked first in the categories of Best Transportation, Best Economic Potential, and Most Cost-Effective (three-way tie). Not surprisingly, Texas is home to foreign consulates from 54 countries, many of which not only help international firms do business in the state but also help local businesses learn more about doing business abroad.

#### NOTABLE STATE INCENTIVE PROGRAMS

Texas is intent on becoming America's state leader in attracting, retaining, and growing businesses. To that end, the \$295 million Texas Enterprise Fund (TEF) was created in 2003 by Governor Rick Perry as an "aggressive" job creation tool. It's working exceedingly well. Billed as the largest "deal closing fund" in America, it's used for a variety of economic development projects, including infrastructure development, community development, job training programs, and business incentives. Before funds can be awarded, a project must demonstrate a significant return on the state's investment and strong local support, and then be approved unanimously by the governor, lieutenant governor, and Texas House of Representatives speaker. Still in its infancy, the TEF is responsible for a total capital investment of more than \$6.7 billion and 37,086 jobs announced to date. The annual gross state impact from the fund's investments is estimated to be \$2.2 billion.

TEF was part of 2004's largest jobcreation project, when Countrywide Financial announced it would bring 7,500 new jobs to Texas. That same year, it had a role in the country's biggest transportation equipment deal: Vought Aircraft reported a \$598 million capital investment via the expansion of its Dallas manufacturing plant along with 3,000 new jobs.

The state's economic development and tourism functions operate out of the Economic Development and Tourism Division (EDT) in the governor's office. In

fiscal 2004, the EDT stimulated economic development in 65 cities with almost \$5.3 million in funds provided through 310 Capital Access Program loans. This funding assisted business startups and created jobs in Texas through grants and capital access loans.

This past February, the state's new \$200 million Emerging Technology Fund (ETF) awarded its first grant to Texas Tech University. The nearly \$2 million award will help establish the school's International Center of Excellence in Agriculture Genomics and Biotechnology, and will assist the West Texas region in its goal of becoming the fiber capital of the world. The grant also will solidify Texas Tech's partnership with Bayer CropScience, which endowed a professorship at the university.

The technology fund is designed to attract and create new businesses, and to support research - a tool Texas obviously needs, as evidenced by its ranking as one of two states (Massachusetts is the other) deemed to have the second-highest number of tech firms in the country, according to Deloitte & Touche's Technology Fast 500, 2005. Specifically, ETF is earmarked for industries that are expected to produce scientific or medical breakthroughs, such as aerospace, biotech, nanotech, IT, and semiconductors.

ETF will invest in public and private research collaboration for developing new regional centers of innovation and commercialization, provide matching research grants, and invest in efforts to attract stellar research teams from outside the state to notch up R&D at Texas universities. "Over the next decade, emerging technologies will generate \$3 trillion in revenue worldwide, thousands of new jobs and revolutionary innovations that will vastly improve our quality of life," said Perry when ETF was created. "Texas must be at the forefront of this new frontier."

## EMPLOYMENT STATS, CRITICAL CLUSTERS

The employment outlook is as hot as a Texas summer. According to a 2004 forecast report by the state comptroller, 4.1 million net new jobs will be created in Texas from 2003 through 2023. Of these, 3.7 million - more than 90 percent - will be in service-providing sectors, such as management/administrative/support services (791,000), health care/social assistance (684,000), local government (485,000), professional/scientific/ technical services (388,000), and leisure/hospitality (380,000).

In the goods-producing sectors, the report adds that nearly all of the 355,000 net new jobs will be in construction (312,000): "From 2003 through 2023, manufacturing will provide a total of only 77,000 new Texas jobs, while natural resources/ mining

employment will fall by 34,000, as Texas oil and gas production continue to decline. Contrary to popular belief, even though manufacturing will produce a relatively small number of new jobs, the continuation of strong productivity gains will allow manufacturing to maintain a relatively important role in the Texas economy. From 2003 through 2023, real inflation-adjusted manufacturing output will remain at approximately 14 percent of the state economy, while manufacturing's share of non-farm employment will decline from almost 10 percent to just over 7 percent."

At present, traditional industries in Texas include semiconductors, chemical and allied products, petroleum, food processing, and transportation equipment. Its expanding industries are automotive, biotech and medical sciences, nanotechnology and advanced materials, microelectronics, and telecommunications. However, new state programs now getting underway are expected to turn some of the more high-tech expanding industries into traditional industries in the short term. For example, the Texas Technology Initiative is a state government plan designed to ensure that Texas remains one of the nation's top leaders in high-tech and related industries. In 2003, as part of efforts to fulfill the plan's mission, the state legislature passed SB 275 to strengthen six key industry clusters with help from industry, academic resources, plus various local, state and federal funds. Clusters deemed to be "critical" to the future prosperity of Texas are:

- \* Advanced technologies and manufacturing (e.g., semiconductors, microelectromechanical systems, nanotechnology, automotive)
- \* Aerospace and defense
- \* Biotechnology and life sciences
- \* Information and computer technology
- \* Petroleum refining and chemical products
- \* Energy (e.g., oil and gas, power generation, manufactured energy systems)

## MAJOR TEXAS METROS

About 500 cities of various sizes thrive in Texas. The state is also broken down into seven regions, each of which offers its own unique combination of economic development attributes, weather, and community attributes: Big Bend Country, Hill Country, the Gulf Coast, the Panhandle, Piney Woods, Prairies and Lakes, and South Texas Plains. The state's economy is powered by five major metros, four "border" metros of note, and more than a dozen high-profile, secondary market cities. A

January 2006 report prepared by the Federal Reserve Bank of Dallas (FRBD) identified key trends and economic strengths in many of these regions.

\* AUSTIN: Last year the state capital's economy outperformed all other major Texas major metros. Its business-cycle index climbed 5.6 percent, while job growth registered a fast-paced 4.5 percent (30,300 jobs). Strong hiring in the professional and business services sector may reflect increased demand for high-tech services. December 2005's strong employment gains were due to the construction, professional and business services, and leisure and hospitality services sectors.

\* DALLAS: The city added 44,400 jobs (a 2.3 percent increase) in 2005. Expanding businesses are helping bring down office vacancy rates and spur new development, while its growing population is accelerating expansion of medical facilities and hospitals. In December, industries recording large job gains included professional and business services and manufacturing.

\* FORT WORTH-ARLINGTON: Last year, this economy's performance virtually matched the state's, with its business-cycle index rising 2.8 percent and employment up 2 percent (16,300 jobs). December's job growth was seen in educational and health services, manufacturing, and construction/mining sectors.

\* HOUSTON: Definitely boasting a strong economy, this city added 57,500 jobs (2.5 percent increase) in 2005, mainly because high energy prices boosted demand for oil-related products and services. The construction sector also is strong. In December, job growth gains were mostly in the service sector.

\* SAN ANTONIO: Last year, the Alamo City's economy grew robustly (3 percent), adding 18,100 jobs. Construction employment posted strong gains as well, a result of building activity associated with the [new] Toyota plant and its suppliers' facilities. Recent job increases were seen in professional and business services, leisure and hospitality services, and educational and health services.

Another smaller metro of note is MIDLAND (population 95,000), located halfway between Fort Worth and El Paso, and a short drive from Odessa (population 100,000). Besides its fame as the hometown of both Presidents Bush, the 26th-largest city in Texas is known as an administrative center for the Permian Basin, the petroleum-producing area where nearly 20 percent of U.S. oil and gas reserves are found. Proud of its "West Texas" work ethic, Midland also has earned praise as "one of the nation's most livable communities" by American Demographics magazine.

The same FRBD report also offered highlights about a few Texas-Mexico border cities doing well economically.

\* **BROWNSVILLE:** The city added 2,000 jobs in 2005. In December, strong job growth (4.1 percent) was seen in the trade, transportation, utilities, education and health services industries. Additionally, in Matamoros, its sister city across the border, there was an uptick in maquiladora job growth.

\* **Ar EL PASO:** Despite no gains in December, 2005 job growth registered 2.7 percent (6,900 jobs) here. Professional and business services are a large reason why the service sector is the primary growth sector. Strong manufacturing activity in the Mexican sister city of Ciudad Juárez continues to rise as the metro area prepares for additional troops at Fort Bliss.

\* **LAREDO:** The city's economy is growing rapidly. Last year, the metro area added 3,200 jobs, partly because of large employment gains in the mining sector (boosted by increased natural gas drilling) and the construction sector (mainly in the hotel, restaurant and retail areas).

\* **MCALLEN:** In 2005, the McAllen metro area added 8,600 jobs (a 4.5 percent gain). Its retail trade and transportation industries are more healthy these days thanks to strong job growth in nearby Reynosa's maquiladora activity.

## LONE STAR STATE LOCATION ADVANTAGES

Companies will discover a wide variety of location advantages benefiting both their operations and the quality of life of their employees. Texas enjoys one of America's lowest tax burdens, estimated to be 32 percent less than the national average. In February, the nonpartisan educational group The Tax Foundation released its latest State Business Tax Climate Index, which ranks the 50 states on how business friendly their tax systems are. This year, Texas took the number-seven spot on that list. Contributing to this is the fact the state has no personal income tax, no state-level property tax, no state tax on machinery and equipment used in manufacturing, no state tax on goods in transit, and no tax on electricity used in processing, fabricating, and manufacturing.

On the education front, plenty of educated workers reside in Texas. In 2003, about 25 percent of residents held a bachelor's degree or higher. Many were educated at one of the state's 50 community colleges, 35 public universities, and 38 private institutions, including Texas A&M University, Baylor University, Rice University, Texas Tech University, University of Texas at Austin, University of Dallas, and Trinity University. A number of these schools have formed successful partnerships with area businesses.

To help the younger set prepare for high-tech careers, the new \$71 million T-STEM

initiative will serve students in grades 6-12 by creating schools or training centers focused on science, technology, engineering and math. About 15 academies statewide should be open by next year, and nearly 35 by 2011. Each school is expected to graduate 3,500 students annually. T-STEM is part of the larger \$260 million Texas High School Project designed to improve students' academic performances statewide.

The transportation network in Texas is state of the art, and includes 300,000 miles of public roads, 44 railways, 26 points of entry, and 26 commercial airports. Businesses appreciate the easy access by truck, rail, and plane to nearby Mexico and Latin America as well as important metros within U.S. borders. Plans are now underway to move forward implementation of the TransTexas Corridor-35 (TTC-35), expected to be developed over the next 50 years to offset the state's most congested roads for both cargo and commuters. It will be part of a major road, rail, and utility system extending from Oklahoma and Mexico.

Generational Texas pride runs deep and wide across this great expanse of land which, amazingly, can actually fit the world's entire population within its 262,000 square miles quite comfortably. Fortunately for the state's 22 million residents, that won't be happening anytime soon. But growth of all kinds is definitely on the uptick in this state full of traditions of honor, independence, and fabulous Southern charm. As the popular bumper sticker here reads, "I wasn't born in Texas, but I got here as fast as I could."\*\*

#### Texas Sponsors

AEP Southwestern Electric Power Company

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Greater Austin Chamber of Commerce

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## **[Sidebar]**

Greetings!

Texas is a place where a dream can be put to work. As governor, I want to continue to foster an environment for job growth and create more opportunities for the people of Texas to pursue their dreams.

We have cultivated a business climate in our state that rewards the entrepreneurial spirit and welcomes those who risk their capital and create jobs. Texas offers companies an unparalleled competitive edge with our favorable tax climate, proximity to strategic markets, cutting-edge infrastructure, excellent schools, and highly skilled work force.

Our state provides businesses with the tools that they need to grow and prosper, including the innovative "deal closing" Texas Enterprise Fund (TEF) and the Texas Emerging Technology Fund (ETF). To date, the TEF has helped close the deal on projects that will bring 37,000 new jobs to Texas and add \$6.7 billion in capital investments to our economy. The \$200 million ETF program, established by the Texas legislature in 2005, has already begun luring the best and brightest emerging technology talent and collaboration to Texas.

Texas is recognized around the globe for our pro-business attitude:

\* In January, Fortune magazine ranked Texas as the state with the second-highest number of companies listed on its "2006 Best Companies to Work For" list.

\* In November 2005, national corporate site consultants ranked the Texas business climate as the best in the nation for the third consecutive year.

\* In April 2005, Texas was named the State of the Future."

Texas will continue to make every effort to ensure that business and industry thrive in our great state. I invite you to come on down to Texas, where we're wide open for business and ready to work with you.

Sincerely,

Rick Perry

Governor

**[Sidebar]**

AEP Southwestern Electric Power

AEP SOUTHWESTERN ELECTRIC POWER COMPANY, AN OPERATING UNIT OF AMERICAN ELECTRIC POWER, SERVES MORE THAN 440,000 CUSTOMERS IN NORTHEAST TEXAS, NORTHWEST LOUISIANA, AND WESTERN ARKANSAS. COMPREHENSIVE ECONOMIC DEVELOPMENT SERVICES ARE PROVIDED, INCLUDING AVAILABLE BUILDINGS AND SITES FOR COMPANY EXPANSIONS AND/OR RELOCATIONS.

Brazoria County

HOUSTON'S HOTTEST GROWTH CORRIDOR: OFFERING UP TO 100 PERCENT/10-YEAR TAX ABATEMENT, FOREIGN-TRADE ZONE, STRATEGIC

INVESTMENT AREA, AND TEXAS ENTERPRISE ZONE INCENTIVES. BRAZORIA COUNTY IS YOUR FUTURE HOME. DISCOVER PEARLAND'S EASY COMMUTE INTO HOUSTON'S TEXAS MEDICAL CENTER AND PORT FREEPORT'S ACCESS TO DEEPWATER, RAIL, BARGE, PIPELINE, AND HIGHWAY TRANSPORTATION.

### El Campo

EL CAMPO, TEXAS, IS A PRO-BUSINESS COMMUNITY LOCATED MIDWAY BETWEEN HOUSTON AND VICTORIA. EL CAMPO IS LOCATED ON U.S. 59 (FUTURE I-69) AND TEXAS HIGHWAY 71, WITH EASY ACCESS TO THE PORT OF HOUSTON, THE PORT OF PORT LAVACA - POINT COMFORT, HOUSTON HOBBY AIRPORT, AND BUSH INTERCONTINENTAL AIRPORT.

### **[Sidebar]**

### Midland

THE MIDLAND DEVELOPMENT CORPORATION (MDC) OFFERS INCENTIVES TO QUALIFIED NEW AND EXISTING EMPLOYERS WHO CREATE JOBS IN MIDLAND. INCENTIVES ARE BASED ON THE NUMBER OF JOBS CREATED, ANNUAL PAYROLL, AND CAPITAL INVESTMENT. TARGETED SECTORS INCLUDE AVIATION, TECHNOLOGY, METAL FABRICATION, ENERGY, MANUFACTURING, AND WAREHOUSING AND DISTRIBUTION.

### Mission

MISSION, TEXAS, IS BOOMING! IDEALLY LOCATED IN SOUTH TEXAS ALONG THE U.S.-MEXICO BORDER, MISSION IS THE FASTEST-GROWING MSA IN TEXAS. MISSION IS EXPERIENCING EXCITING POPULATION AND INVESTMENT GROWTH UNLIKE ANYWHERE ELSE IN THE NATION.

### **[Sidebar]**

### San Antonio

SAN ANTONIO ACQUIRED NEARLY 7,000 JOBS AND \$480 MILLION IN INVESTMENT IN 2005 - INCLUDING WASHINGTON MUTUAL'S REGIONAL OPERATIONS CENTER, THE NATIONAL SECURITY AGENCY'S CRYPTOLOGY CENTER, AND ADDITIONAL ONSITE SUPPLIERS AT TOYOTA MOTOR MANUFACTURING. SAN ANTONIO ATTRACTS BUSINESSES THROUGH A QUALIFIED WORK FORCE OF APPROXIMATELY 900,000 AND A COST OF

LIVING HISTORICALLY 10 PERCENT BELOW THE U.S. AVERAGE.

**[Sidebar]**

McAllen

McALLEN, TEXAS, LOCATED ON THE TEXAS-MEXICO BORDER, WAS RANKED NUMBER-FOUR IN THE NATION FOR JOB CREATION AND RETENTION IN THE 2005 MILKEN INSTITUTE BEST PERFORMING CITIES INDEX, AND HAS BEEN NATIONALLY RANKED AS HAVING AN OUTSTANDING LABOR POOL FOR MANUFACTURING.

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by Lisa A. Bastian, CBC

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