

America's Opportunity City

Lots of new jobs and a low cost of living make Houston a middle-class magnet.

Joel Kotkin and Tory Gattis

David Wolff and David Hightower are driving down the partially completed Grand Parkway around Houston. The vast road, when completed, will add a third freeway loop around this booming, 600-square-mile Texas metropolis. Urban aesthetes on the ocean coasts tend to have a low opinion of the flat Texas landscape—and of Houston, in particular, which they see as a little slice of Hades: a hot, humid, and featureless expanse of flood-prone grassland, punctuated only by drab office towers and suburban tract houses. But Wolff and Hightower, major land developers on Houston's outskirts for four decades, have a different outlook. "We may not have all the scenery of a place like California," notes the 73-year-old Wolff, who is also part owner of the San Francisco Giants. "But growth makes up for a lot of imperfections."

A host of newcomers—immigrants and transplants from around the United States—agree with that assessment. Its low cost of living and high rate of job growth have made Houston and its surrounding metro region attractive to young families. According to Pitney Bowes, Houston will enjoy the highest growth in new households of any major city between 2014 and 2017. A recent U.S. Council of Mayors study predicted that the American urban order will become increas-

ingly Texan, with Houston and Dallas-Fort Worth both growing larger than Chicago by 2050.

The Grand Parkway, Wolff points out, continues Houston's pattern of outward development. The vast ExxonMobil campus being built in the far northern suburbs—and surrounded by its own master-planned community, Springwoods Village—will eventually be the nation's second-largest office development, after Manhattan's Freedom Tower. Houston is already home to numerous planned communities with bucolic-sounding names: Cinco Ranch, Bridgeland, Sienna Plantation, the Woodlands, and Sugar Land. "Open space is the most precious amenity," says Wolff, a primary developer of the Energy Corridor, a Houston neighborhood boasting 22 million square feet of office space and housing the headquarters of such key energy firms as BP America, ConocoPhillips, and CITGO. "What we are creating here is a place where business can grow and people can afford to live. This is the key to Houston." Indeed, the Houston model of



GAVIN HELLER/JAICORBIS



Houston is growing downtown as well as on its suburban periphery.

development might be described as “opportunity urbanism.”

Houston’s economic success over the past 20 years—and, more remarkably, since the Great Recession and the weak national recovery—rivals the performance of any large metropolitan region in the United States. For nearly a decade and a half, the city has been adding jobs at a furious pace—more than 600,000 since early 2000, and 263,000 since early 2008. The greater New York City area,

by contrast, has added just 103,000 jobs since 2008, and Los Angeles, Chicago, Phoenix, Atlanta, and Philadelphia remain well below their 2008 levels in total jobs. In fact, Los Angeles and Chicago, like Detroit, have fewer jobs today than they did at the turn of the millennium.

And many of Houston’s jobs pay well. Using Praxis Strategy Group calculations that factor in the cost of living as well as salaries, Houston now has the highest standard of living of any large city in the U.S. and among the highest in the world. Indeed, the average cost-of-living-adjusted

salary in Houston is about \$75,000, compared with around \$50,000 in New York and \$46,000 in Los Angeles. Personal household income has risen 20 percent since 2005 in Houston, compared with 14 percent in New York, 11 percent in Los Angeles, and less than 9 percent in Chicago. Former Federal Reserve economist Bill Gilmer notes that, except during the energy bust of the mid-1980s, Houston's per-capita income growth has outpaced the nation's since the late 1960s.

Not surprisingly, given Houston's reputation as an oil town, much of the job growth in its metro region (known as Greater Houston) is tied to energy—particularly, to the technological revolution now reshaping that industry. Once widely derided as a “colony” of California- and New York-based companies, Houston has increasingly become the location of choice for American energy firms. In 1960, for example, Houston was home to only one of the nation's top energy firms; by 2013, it was home to 22 from the Fortune 500, more than all other cities combined—and that doesn't include major non-headquarter locations for ExxonMobil, Shell, Chevron, and BP. This past spring, Occidental Petroleum, Los Angeles's last major energy firm, announced plans to move to Houston's Uptown district, near the famed Galleria.

Since 2001, the energy industry has been directly responsible for an increase of 67,000 jobs in Houston, and it now employs more than 240,000 people in the area. These jobs include many technical positions, one reason that the region now boasts the highest concentration of engineers outside Silicon Valley. Since 2001, Houston has seen a 24.1 percent growth in STEM (science, technology, engineering, and mathematics) employment, compared with less than 5 percent growth in New York and San Francisco. The jobs should keep coming: Gilmer estimates that \$25 billion to \$40 billion in new petrochemical facilities is on its way to Greater Houston.

“Oil and gas used to feel old, but that's changing,” suggests Samina Farid, cofounder of Merrick Systems, a 25-year-old oil-services firm with 45 employees. “Younger people are coming into the business because they see opportunities to use new technologies that can really make a difference.” Farid's firm is one of the thousands of

smaller companies—including a group of new, tech-savvy start-ups—that serve the energy industry. Allison Lami Sawyer, the 29-year-old president of Rebellion Photonics, is part of a movement of younger professionals clustering in the area, many of them in the city's inner ring. “I came here kicking and screaming,” said the British-educated Alabama native, whose nine-person company, mostly engineers and scientists, provides image-sensing equipment to firms such as Exxon. “But this was the place to be—it works well to be in the oil and gas capital of the world if that's who you are selling to.”

Houston has embraced not only the energy industry's white-collar professional jobs but also its well-paying blue-collar industrial positions. The city has seen a surge in mid-skills jobs (usually requiring a certificate or a two-year degree) in fields such as manufacturing, logistics, and construction, as well as energy. Many of these jobs pay more than \$100,000 a year, and since 2007, according to calculations derived from the Bureau of Labor Statistics by the Praxis Strategy Group's Mark Schill, Houston led the 52 major metropolitan areas in creating them, at a rate of 6.6 percent annually. In contrast, these jobs have declined by more than 10 percent in New York, Los Angeles, Chicago, and San Francisco, which have not been friendly to such industries.

Trade is robust. The Port of Houston, connected with the Gulf of Mexico by the 50-mile Houston Ship Channel, is now the nation's Number One export hub, feeding off the energy revolution and expanding economic exchange with Latin America. Mexico and Brazil are by far the port's largest trading partners. Houston's port business has grown almost fourfold since 2000—far faster than either New York's or Los Angeles's. Port officials estimate that the trade sector contributes \$500 billion in economic activity and more than 1 million jobs to the state of Texas annually.

Houston is also home to the Texas Medical Center, the largest concentration of hospitals and research institutions in the world and, by itself, the metro region's third-largest source of jobs—employing 106,000 people, including 20,000 physicians, scientists, and other professionals. Fifty-two separate medical institutions are located on

the campus, equal in size to Chicago's Loop. It currently has over 28.3 million square feet of office space, more than the downtowns of both Houston and Los Angeles. By the end of 2014, TMC top officials predict, the area will be the nation's seventh-largest business district.

Houston is neither the libertarian paradise imagined by many conservatives nor the antigovernment Wild West town conjured by liberals. The city is better understood as relentlessly pragmatic and pro-growth. Bob Lanier, the legendary three-time Democratic mayor who steered the city's recovery from the 1980s oil bust, when the metro region bled more than 220,000 jobs in just five years, epitomized this can-do spirit. Lanier was more interested in building infrastructure and promoting growth than in regulation and redistribution. That focus remains strong today. "Houston is getting very comfortable with itself and what it is," says retired Harris County judge Robert Eckels. "We are a place that has a big idea—supporting and growing through private industry, and that's something everyone pretty much accepts."

Low taxes are part of that idea. Texas has no income tax, as Governor Rick Perry frequently points out to businesses in other states, and its average state and local tax burden is 11th-lowest in the nation. New York, New Jersey, and California, by contrast, impose the three highest state tax burdens in the nation. The friendly tax environment is one reason that Houston ranked as the most affordable city to do business in a recent survey of global metropolitan areas by PricewaterhouseCoopers and the Partnership for New York City. It means a lot more money in their employees' pockets, too. A family of three making \$150,000 moving from New York City to Houston would save upward of \$8,000 in taxes, an analysis conducted by the District of Columbia found.

An even bigger component of Houston's growth, however, may be its planning regime, which allows development to follow the market instead of top-down government directives. The city and its unincorporated areas have no formal zoning, so land use is flexible and can readily meet demand. Getting building permits is simple and quick, with no arbitrary approval boards making development an interminable process. Neighborhoods can protect themselves with voluntary, opt-in deed restrictions or minimum lot sizes. Architect and developer Tim Cisneros credits the flexible planning system for the city's burgeoning apartment and town-home development. "There are a lot of people who come here for jobs but don't want to live, at least not yet, in the Woodlands," he notes. "We

“A family of three making \$150,000 moving from New York City to Houston would save upward of \$8,000 in taxes.”

can respond to this demand fast because there's no zoning, and approvals don't take forever. You could not do this so fast in virtually any city in America. The lack of zoning allows us not only to do neat things—but do them quickly and for less money."

The flexible planning regime is also partly responsible for keeping Houston's housing prices low compared with those of other major cities. On a square-foot basis, according to Knight Frank, a London-based real-estate consultancy, the same amount of money buys you almost seven times as much space in Houston as it does in San Francisco and more than four times as much as in New York. (See "Houston, New York Has a Problem," Summer 2008.) Houston has built a new kind of "self-organizing" urban model, notes architect and author Lars Lerup, one that he calls "a creature of the market."

Some cities—such as Los Angeles—grow as a progression of larger communities around a relatively small core. Others—such as New York and Chicago—form dependent communities surrounding a dynamic central core. Houston is different: it revolves around a patchwork of centers, such as the aforementioned Woodlands,

America's Opportunity City



The city's growth-friendly zoning code allows builders to provide a wide variety of housing.

home to some 40,000 residences and more than 50,000 jobs. Other centers exist within the city limits, but Houston also retains a strong core that never imploded, as did those of so many American cities. The city turns the whole debate that dominates urban thinking today—whether to grow the suburbs or downtown—on its head. Rather than advocate one kind of housing, Houston prides itself on providing choices. In fact, as

the city's outer suburban ring has grown—last year attracting roughly 80 percent of all new home buyers—the downtown has also boomed. The city's vibrant inner ring, notes demographer Wendell Cox, grew 3 percent during the last decade—four times the average in the top 15 metropolitan areas and more than Chicago, Los Angeles, New York, and Philadelphia. "Most cities would die for our in-fill," says Jeff Taebel, director of Community and Environmental Planning at the Houston-Galveston Area Council (HGAC). No one would mistake downtown Houston for midtown Manhattan, true; but it represents 6 percent of the region's jobs—a proportion 2.5 to 4.5 times greater than one finds, say, in downtown Los Angeles or Phoenix. Houston's experience refutes the popular notion that urban density and central city development require heavy regulation.

Houston's housing-market flexibility has also benefited some of the city's historically neglected areas. The once-depopulating Fifth Ward has seen a surge of new housing—much of it for middle-income African-Americans, attracted by the area's long-standing black cultural vibe and close access to downtown as well as the Texas Medical Center. Rather than worry about gentrification, many locals support the change in fortunes. "In Houston, we don't like the idea of keeping an image of poverty for our neighborhood," explained Rev. Harvey Clemons, chairman of the Fifth Ward Community Redevelopment Corporation. "We welcome renewal."

By allowing and encouraging development in the inner ring and on the fringe, the city increases its attractiveness to younger people, who want to live close to the urban core, while also providing affordable suburban housing. "Houston thrives because it has someplace for young people to stay inside the city but also offers an alternative when they get older. Just because you grow up doesn't mean you have to leave the region," notes Gilmer, now head of the Institute for Regional Forecasting at the University of Houston.

Houston's explosive economic growth has engendered another kind of boom: a human

one. Between 2000 and 2013, Greater Houston's population expanded by 35 percent. In contrast, New York, Los Angeles, Boston, Philadelphia, and Chicago grew by 4 percent to 7 percent. These figures reflect emerging migration patterns. Texas once sent large numbers of people to California and the East Coast, but now, considerable numbers of New Yorkers, San Franciscans, and Los Angelenos are picking up stakes and heading for Houston, Dallas, Austin, and San Antonio.

As it grows, Houston's ethnic demography is shifting. Two decades ago, Houston struggled to attract foreign-born immigrants, as did Texas generally. But since the 1990s, Texas's immigration rates have surpassed the national average. Over the past decade, Houston added

440,000 foreign-born residents, the second-most in the country, while New York, with more than three times the population, added 660,000. In a dramatic sign of changing trends, Houston attracted more than three times as many foreign-born immigrants as did Los Angeles, which is more than double its size. "This is the big deal for immigrants," suggests HGAC's Taebel. "We are a very attractive place for working-class people to settle." The immigrant surge has turned what was once a conventional Southern city into a multiracial melting pot. Indeed, a 2012 Rice University study claimed that Greater Houston is now the most ethnically diverse metro region in America, as measured by the balance between four major groups: African-American, white, Asian, and Hispanic. Hispanics alone constitute nearly half the core city's population, while the Asian population has surged almost fourfold; whites constitute barely a quarter of the total. The entire Greater Houston metro region—roughly 6.3 million people—is now 60 percent nonwhite, up from 42 percent in 1990.

Houston's new diversity is not confined to one neighborhood or district. Suburban Sugarland is over 35 percent Asian and home to one of the na-

tion's largest and most elaborate Hindu temples. "This place is as diverse as California," notes David Yi, a Korean-American energy trader who moved to the city from Los Angeles in 2013 and lives in the suburb of Katy, west of the central core. "But it is affordable, with good schools. Our kids, who are learning Spanish, can afford to stay and have a house, which is not the case in California." Pearland, located 17 miles south of downtown, has also become a draw for upwardly mobile minorities and immigrants. "This is very different from Dallas, where I grew up, which was very segregated," notes African-American entrepreneur Carla Lane, president of Lane Staffing, which works with energy, construction, and other local firms. "My daughter has a totally different experience—many of

her friends are white, Hispanic, or Asian. Living out in Pearland, you can have that experience, and then you cross Highway 6 and you see people with big hats, boots, and straw in the mouth. That's Houston to a tee."

Immigration is driving growth but also creating new challenges. Though skilled immigrants are beginning to flock to Houston, observes former state demographer Steven Murdock, Texas's immigrants also include many lower-skilled workers, primarily because of the state's proximity to Mexico. Leaders in the petrochemical and construction industries complain about looming shortages in the skilled trades. A dearth of plumbers and electricians is already affecting construction of new housing, offices, and industrial facilities, impinging on developers' ability to expand, despite a thriving housing market. "We have all these jobs but not the people in the pipelines," says Marshall Schott, associate vice chancellor at Lone Star community college. "Sure, we have need for more geologists and engineers; but by an order of magnitude, we need skilled workers such as welders and machinists. These jobs pay \$80,000 a year, a lot better than being a barista at Starbucks."

“A 2012 Rice University study claimed that Greater Houston is now the most ethnically diverse metro region in America.”

America's Opportunity City

To address these shortfalls, many companies have invested in workforce training programs, some in collaboration with local high schools as part of “cooperative education,” where students go to school part-time and work part-time. “This is a typically Houston solution—very pragmatic,” Mike Temple, director of the Gulf Coast Workforce Board, points out. “We are trying to tell kids that it’s not only what you know but also what you can do.” Enrollment at Houston’s largest community college, Lone Star, has exploded 58 percent, to 78,000 students, in just the past five years, and the college expects it to reach 100,000 students by 2018.

Often attacked for under-investing in education, Houston has actually shown encouraging educational progress. Many of the schools in the outer rings, often predominantly white and Asian, perform well in state performance rankings. Houston Independent School District, the largest district in Texas and seventh-largest in the country, has won the Broad Prize for urban education twice. Houston has also been called “the Silicon Valley of education reform,” with several highly successful charter school networks such as KIPP, Harmony, and YES Prep setting up shop in the city.

These schools and others within the Houston Independent School District will have much to do with Houston’s future success, which, in Murdock’s view, will come down to “how well minorities are going to do.” Murdock is optimistic, in part, because Houston’s minorities share the city’s basic culture of faith in hard work as a means of upward mobility. According to Rice University’s Houston Area Survey, 85 percent of Houstonians—including 79 percent of blacks and 89 percent of Hispanics—agreed with the statement “if you work hard in this city, eventually you will succeed.” Nationwide, this sentiment is shared by only 60 percent of those surveyed.

Not everyone is impressed by Houston’s growth and prospects. Critics dismiss the city’s development model as a disaster for the environment, quality of life, and civic culture. For the most part, they regard Houston as a cultural desert—a throwback to the sprawling postwar model of

many American cities. “When one asks to see the social center of Houston,” scoffs architect Andrés Duany, “one is taken to the mall.”

But such statements don’t reflect a city where opportunity urbanism is shaping an impressively vibrant cultural landscape. A 2012 survey by Economic Modeling Specialists International (EMSI) of the city’s creative economy found 146,000 jobs, generating an annual economic impact of \$9.1 billion. Houston is projected to have the largest gain in arts-related jobs by 2016 of any city in the study. Arts and culture expenditures totaled almost \$1 billion per year in 2010, with total event attendance topping 16 million—numbers sure to grow, with almost 150,000 people per year moving into Greater Houston. The city boasts permanent professional resident companies in all of the major performing arts, including opera, ballet, symphony, and theater, and its theater district has more seats than any rival in the country, except for New York’s. Houston’s 18 museums attract 8.7 million visitors a year. This is no cultural backwater.

With their higher real incomes and lower taxes, Houstonians dine out substantially more than residents of any other major American city—and they’ve got lots of options. “You used to go to New Orleans for food and music,” notes Chris Williams of Lucille’s, a cutting-edge Houston restaurant that serves sophisticated Southern food. “Now you go down the block.” Taylor Francis, a 24-year-old advertising executive who moved recently from the Bay Area, points to restaurants like Underbelly, a popular Beard Prize-winning restaurant in the fashionable Montrose district. “My friends in the Bay Area rarely go out because it’s too expensive,” he said. “All their money goes to rent—but here, I can live in a roomy place and go out. There’s something attractive about that.” Houston’s leaders hope to lure more young people like Francis away from coastal cities such as Portland, Boston, New York, and Los Angeles. The city is building one of the nation’s most extensive bike systems and constructing a \$215 million park system along its long-disdained bayous.

Marcus Davis, who grew up in the hard-scrabble Fifth Ward, says that growth is simply part of the Houstonian ethos. “This place is pure



Encompassing scientific and technical jobs as well as blue-collar work, Houston's energy industry is booming.

opportunity, including for African-Americans," he said at his successful and usually crowded restaurant, the Breakfast Klub, just outside downtown. Davis's customer base includes young professionals and middle-class families. "This is a place where everyone wants to figure out how to do business. And since Houstonians like to do things over food, having a restaurant can be very lucrative." The growth-friendly attitude is what holds everything together in Houston, and it will be crucial whenever the next slowdown comes—when oil prices could drop, say, to below \$100 a barrel. It remains to be seen whether a large influx of newcomers to Greater Houston

from the ocean coasts will clamor, as they have elsewhere—notably, in Colorado—for a more controlled, high-regulation urban environment.

For now, though, most Houstonians see the city as a place that works—for minorities and immigrants, for suburbanites and city dwellers—and few want to fix what isn't broken. "The key to Houston's future is to keep thinking about how to be a greater city," notes David Wolff as he passes a new set of towers off the Grand Parkway. "This road, it wouldn't be built in many places. People might talk about these things, but in most places, they don't get done. In Houston, we don't just talk about the future—we're building it." ■