Texas Metropolitan Blueprint

A Policy Agenda to Secure the Competitiveness and Prosperity of Texas

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Executive Summary

**Texas is a metropolitan state. It needs a metropolitan policy agenda.**

Metropolitan regions are home to 9 in 10 Texans, and they are the state’s economic engines. They need a slate of policies that improves the quality of life for all their residents—and at the same time drives their competitiveness.

This Texas Metropolitan Blueprint lays out recommendations for policies that address the most important economic development, land use, housing, infrastructure, and transportation challenges of the state’s metropolitan areas. Each is critical to speeding Texas’s economic recovery and securing its long-term prosperity.

Three guiding principles inform this blueprint:

1. **Texas should invest in Texans and do so in an equitable way.** While Texas’s low-tax/low-regulation climate is good for business attraction, it is reaching its limits—going forward, the state’s growth must be supported by substantial investments in its human capital.

2. **Texas should devolve more, not less, decision-making authority to local communities.** Simply put, Texas should be empowering local innovation, not blocking it.

3. **Texas should increase and improve its public-private-nonprofit partnerships.** Texas should become a national leader in advancing cross-sector, market-driven solutions to pressing metropolitan challenges.

**Economic Development**

More than 90% of Texas’s economic activity takes place in the state’s metros, and the bulk of its future growth will be concentrated in the five largest. The challenge: Build a more resilient and sustainable infrastructure that is suited to the globalized 21st-century knowledge economy. Specific actions should include:

1. **Invest in the skill development of Texans.** Preparing Texans to succeed in the workplaces of the future must become a top priority. The greatest driver of competitiveness is human capital.

2. **Close the digital divide in both metro and rural areas.** High-speed broadband is an essential tool for active participation in the 21st-century economy.

3. **Bolster small businesses and promote new firm creation.** The COVID-19 pandemic has hit the state’s small businesses much harder than its large companies. These small businesses, especially those tied to the state’s export industries, need all the help they can get.

4. **Expand health care coverage and access to drive investment.** Texas needs to find “Texan” ways to expand health care coverage. Broader coverage can be a vital element of the state’s economic competitiveness strategy and can create job opportunities across Texas.

5. **Strengthen anchor institutions to catalyze community development.** Texas needs to invest more in higher education and medical and technological research, while the state’s anchors can do more to accelerate community impact.

6. **Support local initiatives to use community benefit frameworks in economic development deals.** Jurisdictions should be more intentional about the public goals they aim to advance through their economic development initiatives.
7. **Invest in quality of place, making Texas metros even better places to live.** Texas cities must focus on strengthening their competitiveness as quality-of-life centers where people want to live and work.

8. **Invest in border and international trade infrastructure, including ports and airports.** Cross-border collaboration is critical for advancing the resilient economic development efforts of Texas’s border and port cities. The state’s ports and airports are critical gateways to global commerce.

### Housing and Land Use

Housing, particularly housing security and affordability, is becoming a central issue for Texans: 68% believe that the government should act decisively to address them. Rising real estate prices are eating into the cost advantage that has been a key attractor for Texas metros. The state and its metro areas must look for innovative and collaborative ways to expand the supply of affordable housing for the Texas workforce. Policy recommendations include:

1. **Promote the development of market-rate housing.** State land use regulations should not tie the hands of local jurisdictions, and local jurisdictions should allow greater flexibility in their own land use rules.

2. **Enable more affordable housing partnerships.** Texas needs to encourage more collaborations among for-profit, nonprofit, and public housing sectors.

3. **Provide additional state incentives and funding streams for housing.** Revenue caps make it impossible for localities to do all they can to address this critical issue.

4. **Promote renter protections.** The state’s lack of renter protections renders low-income and affordable housing programs for the Texas workforce less effective.

5. **Ensure flexibility and effectiveness in key housing programs.** Local jurisdictions should have all the flexibility they need to implement affordable housing programs in the most effective ways.

6. **Grant localities flexibility on incentives and goals.** Local incentives can create alignment among housing, infrastructure, and economic development. The state should support efforts to meet local priorities.

7. **Address homelessness through a “housing-first” strategy.** When permanent supportive housing exists, it is easier and cheaper to move people from life on the streets to stability.

### Transportation and Infrastructure

Metropolitan Texas needs a metropolitan infrastructure for the 21st century, meaning broadband, high-tech movement of freight, and better and more pandemic-responsive transportation options within and between cities. It also means investments in flood control and water/sewer systems to deal with climate change and population growth. Recommendations include:

1. **Define infrastructure broadly.** The future focus for infrastructure should be on a broad range of capital needs that modern metros require to be globally competitive and sustain the pressures of climate change.

2. **Use rail strategically to improve the movement of goods, especially into and out of ports.** Goods movement and logistics make up a critical part of the metropolitan Texas economy.

3. **Expand funding opportunities for infrastructure.** Allow localities to raise revenues to fund their own initiatives, including multimodal public transit.

4. **Focus on maintenance as well as expansion.** The expansion and building of new infrastructure is critical for the future. However, improvements are often very expensive because of neglecting ongoing maintenance needs. Infrastructure investments should be made in both new and existing systems.

5. **Prioritize safety and health.** Expand efforts to increase safety on highways and roads for motorists, pedestrians, and bicyclists alike.

6. **Fully utilize existing transportation incentives.** The state has a number of existing funding streams that can help localities make significant shifts in transportation infrastructure and other systems.
The Metropolitan State of Texas

For all its wide-open spaces, Texas is among America’s most urbanized states. Five of the U.S.’s 15 biggest cities (Houston, Dallas, San Antonio, Austin, and Fort Worth) are in Texas, and Austin and Fort Worth are the nation’s first and seventh fastest-growing big cities (with populations above 300,000). Texas also accounts for six of the U.S.’s 15 fastest-growing cities of any size. First-ranked Frisco in the Dallas metro grew its population by more than 70% over the past decade, and the San Antonio metro’s New Braunfels, the U.S.’s third-fastest-growing city, increased its population by more than 56%.

Texas’s metro regions are growing as rapidly as their center cities. The Dallas-Fort Worth, Houston, and Austin metros are among the 10 fastest-growing in the U.S. (with Dallas-Fort Worth and Houston in first and second place). The Texas Triangle, the mega-region bounded by Dallas-Fort Worth in the north, Houston in the southeast, and San Antonio and Austin in the southwest, produces fully 80% of the state’s gross domestic product and accounts for nearly all of its venture capital investment. Of the 345,000 new jobs that Texas created in 2019, 71% were located in the Dallas-Fort Worth (120,000), Houston (88,000), and Austin (37,800) metros.

Though Texas took a big hit in the pandemic, experiencing a loss of 580,000 jobs, the state’s metros have been bright spots. Austin was named the nation’s leading mecca for remote work and a top destination for corporate relocations by the Wall Street Journal. A number of major corporations shifted significant parts of their operations from California to Texas metros in 2020: Oracle and Tesla to Austin, Hewlett Packard Enterprise to Houston, and the CBRE Group and Charles Schwab to Dallas.

Texas needs a metropolitan agenda because its cities and suburbs are Texas. Ninety percent of Texans live in metro areas. The state’s economic future, in large part, depends not just on legacy industries such as farming, ranching, and oil production but also on knowledge industries like software, fin-tech, tech-driven manufacturing, aerospace, and renewables—sectors that are thriving in Texas’s cities. Even energy production, largely concentrated in rural Texas, is driven by the technology brainpower that is clustered in the state’s metros.

While they are the state’s economic engines, Texas’s metros are not on a sustainable path. The rapid pace of urban and suburban growth has created challenges, even without the COVID-19 crisis. Before the pandemic emptied out urban business districts, Texas’s cities and suburbs had become notorious for their traffic congestion. Because of the lack of rail, travel between the nodes of the Texas Triangle is time-consuming and inefficient. Governor Greg Abbott has acknowledged that road-building alone can no longer suffice to meet the state’s transportation needs.

Texas can thank its business-friendly climate for its rapid growth up until now. But for that growth to continue, the state needs to combine its pro-business approach with a slate of policies that allows it to consolidate its gains and address its challenges, one that drives its competitiveness and prosperity in ways that are fairer and more inclusive and that build a stronger quality of life and place for every Texan.

This report lays out our recommendations for a Metropolitan Blueprint addressing the areas of economic development, land use and housing, and infrastructure and transportation. Facing up to the challenges and opportunities the metros are confronting with in these areas will be critical to speeding Texas’s economic recovery and preparing for the long-lasting and accelerated changes that the pandemic will bring, among them increased remote work, new corporate relocations, movement to suburban areas, and a greater demand for tech-enabled skills.

The report also aims to build on the important efforts of other policy initiatives such as Texas 2036, local economic development and community development organizations, and area chambers of commerce that are advancing improvements in education, workforce development, public health, and resiliency.
Three guiding principles inform our discussion:

1. **Texas should invest in Texans and do so in an equitable way.**

   Texans are suffering, and this is holding back the state’s business growth and prosperity. Nearly 2 in 10 have no health insurance and 15% live in poverty. Fortye-five percent of Texas’s Black and Brown students are in high-poverty schools, compared to just 8% of white students. Approximately half the Texans who have died from COVID-19 were Hispanic and 14% were Black, though Hispanic and Black people account for just 40% and 12% of the population, respectively. As of December 2020, 11.5% of Texans reported that they were behind in their rent or mortgages—up from 7.8% in September. While Texas’s low-tax, low-regulation environment is good for business attraction, going forward, the state’s growth must be supported by substantial investments in its physical and human infrastructure in order to ensure continued prosperity.

2. **Texas should return more, not less, decision-making authority to local communities.**

   Texas’s governor and legislature have increasingly sought to restrict local jurisdictions’ power to choose their own priorities and fund them—a move away from locally focused, conservative governance. Legislators introduced 10 bills in 2015 and 15 in both 2017 and 2019 aiming to cap the property taxes local governments can levy, the numbers of permits they can issue, the bonds they can float, and the user and linkage fees they can collect. Other bills aimed to overturn local laws that would regulate ride-sharing services like Uber and Lyft, provide free broadband and other services to residents, regulate oil and gas usage, and help undocumented immigrants. Existing state statutes heavily constrain the powers of local governments to implement widely used strategies for place-based economic development and affordable housing. We acknowledge that cities have historically used the cover of “local control” to defend policies of racial discrimination, and that federal and state authorities have an important interest in ensuring that local policies are consistent with civil rights and fair housing laws. But Texas policies to restrict local policy flexibility in recent years have not advanced these goals. Looking ahead, the challenges facing the state’s metro areas—economic revitalization, land use, housing affordability, homelessness, school funding, and more—vary tremendously across the state. Local leaders need both the resources and the authority to craft policies that address their particular needs. Texas should be empowering local innovation, not blocking it.

3. **Texas should increase and improve its public-private-nonprofit partnerships.**

   Texas needs to build a metropolitan agenda consistent with its deeply ingrained free market traditions. Rather than emulating the centralized, top-down governance models of New York or California, Texas should focus on fostering stronger collaborations among its state, county, and municipal governments and the private and nonprofit sectors. As the U.S. increasingly turns to coordinated public-private partnerships to solve community and development challenges, Texas should become a leader in advancing cross-sector, market-driven solutions to pressing metropolitan challenges.

A product of a cross-sector collaboration in its own right, this blueprint draws on the expertise of our three institutions—the [George W. Bush Institute-SMU Economic Growth Initiative](https://www.bushcenter.org/initiatives/egi) in Dallas, the [Kinder Institute for Urban Research](https://kinderinstitute.rice.edu) at Rice University in Houston, and the [LBJ School of Public Affairs Urban Lab](https://www.utexas.edu/research/faculty-schools/urban-lab) at the University of Texas at Austin—as well as the insights of more than 50 of the state’s leading practitioners, policymakers, and business leaders from across the political spectrum and from every part of Texas. These include former cabinet secretaries, mayors, members of the legislature, chamber of commerce leaders, private-sector executives, and nonprofit leaders. (The Appendix lists the members of the project’s steering committee and the many advisers who have engaged in this process). While these advisers provided critical insights throughout this study, this final report and recommendations are solely the product of the authors.
Economic Development

More than 90% of Texas’s economic activity takes place in its metropolitan areas, and the bulk of its future growth will be concentrated in the Texas Triangle comprising the metros of Dallas–Fort Worth, Houston, Austin, San Antonio, and others in between. The industries with the greatest potential for growth are knowledge-centric, technology-enabled, and service-oriented. One of Texas’s great challenges is to preserve the low-tax, low-regulation environment that attracts businesses to the state while building a more resilient and sustainable infrastructure that is suited to the globalized 21st-century knowledge economy.

1. **Invest in the skill development of Texans.**

Fewer than one-third of adult Texans are college graduates, and 17% have no high school diploma. Significant investments are needed to ensure a better “handoff” from education to workplace. These include early college programs for high schools and increased access to community colleges. Portable credentials for skills and greater investment in upskilling are needed to prepare underprivileged Texans for living-wage jobs. Wraparound services like child care must become more robust to ensure that all Texans can access skills programs and jobs to the best of their potential.

**Why?**
PreparationTexans to succeed in the workplaces of the future must become a top priority. Texas has been importing its skilled talent from other states and countries, partly through reliance on business attraction incentives. But the state is underperforming most states when it comes to the creation of a homegrown workforce. Simply put, this is not sustainable in a world where companies increasingly base their location decisions on the availability of talent. In the long run, the greatest driver of competitiveness is the availability of human capital.

Every part of the state’s education establishment can contribute to this effort. Community colleges can potentially prepare Texans for medium-skill occupations at scale, provided they are modernized and better-aligned with workplace needs.

Each of the large Texas Triangle metros has major workforce development initiatives underway, but smaller metros need to prioritize the issue as well, and all of them could use help from the state government. While skills shortfalls are the greatest obstacle to economic mobility and the biggest long-term threat to the state’s competitiveness, the lack of affordable child care stands in the way of efforts to address them.

**What’s Needed?**
- Invest more funding in early college/P-TECH programs.
- Develop and scale up statewide data tools to track changing workforce needs and improve alignment between the state’s economic development priorities and workforce pipelines.
- Build more collaborations between community college systems and major employers to develop a set of universally recognized credentials that are portable and readily transferable across state lines.
- Learn from and emulate initiatives that other states have launched to increase community college access, such as the Tennessee Promise.
- Improve provision of child care for trainees and students.

2. **Close the digital divide in both metro and rural areas.**

In his biennial State of the State speech, Governor Abbott designated the expansion of broadband internet access as an emergency item for the Texas Legislature to address in 2021. The state should support local initiatives to supply broadband in disadvantaged rural and urban areas, allowing local governments as much flexibility as possible to deliver this vital utility.

**Why?**
The COVID-19 pandemic exposed a vast digital divide among Texans. High-speed broadband can no longer be thought of as a discretionary consumer service—it’s an essential tool for active participation in the 21st-century economy.
Children require broadband for schooling, and ever more adults need it for skills development and remote work. This will clearly continue past the pandemic. Studies show that a clear majority of workplaces include plans for remote work in their post-pandemic planning. A growing number of experts predict that many workplaces will move toward a “3-2-2” workweek—three days in the office, two days of remote work, and two days off. 29

A recent survey revealed that 30% of school-aged children in Texas live in households without digital access and consequently have been unable to participate fully in schooling. Their parents are increasingly becoming second-class citizens in terms of workforce opportunities as well. It’s time for Texas to recognize that broadband access is a baseline utility, like water and electricity, and develop plans to make it universal.

What’s Needed?

- Continue existing programs to bring broadband to every household with school-aged children, even after the pandemic ends.
- Support efforts to expand digital connectivity in rural areas, with a focus on increasing remote connections to metropolitan workplaces.
- Support efforts to expand digital connectivity to poorly connected, underserved urban areas as well.
- Loosen state rules that limit the ability of local governments and their private and nonprofit sector partners to extend service to underserved areas.

3. Bolster small businesses and promote new firm creation.

Texas should make low-cost, state-subsidized loans available for COVID-impacted businesses and startups, as numerous other states have done. Occupational licensing rules and other regulations should be streamlined to enable struggling firms to stay in business and new ones to incubate and scale. The state should make the most of the federal Opportunity Zone program and find ways to expand and promote community-focused investments in neighborhoods: affordable housing, small business support, and inclusive placemaking. 30

Why?

Texas metros have a well-deserved reputation as great places to start and run small businesses, according to a recent study from Arizona State University. 31 Still, Small Business Administration data show that the state’s new business startup rate has yet to return to the levels it reached before the 2008-09 recession. 32

The COVID-19 pandemic has hit the state’s small businesses much harder than its large companies. Since small businesses account for 45% of private-sector jobs in Texas and nearly 93% of all the state’s exporters, their health is critical to the state’s recovery. 33, 34 Making loans available to creditworthy enterprises, relaxing restrictive licensing rules and regulations for startups, and granting reciprocity to occupational licenses from other states will speed it as well. So would streamlining the processes for starting small, consumer-facing businesses, like hair-braiding salons and food trucks.

All of the state’s five largest metropolitan regions contain vast areas of historical disinvestment and concentrated poverty. Developing new tools to bring greater economic vitality to these challenged areas, including the expansion of Opportunity Zone designations, should be one of the state’s highest priorities.

What’s needed?

- Create new lending facilities at the state and local levels to help creditworthy small businesses survive the COVID-19 crisis.
- Invest in the development of entrepreneurial ecosystems in Texas metros, with a particular focus on supporting BIPOC (Black, Indigenous, and People of Color) enterprises, as well as those exporting goods and services.
- Pursue sweeping reforms to loosen outdated and over-restrictive occupational licensing rules.
- Work with other states to allow for reciprocity of licenses and accreditations.
4. Expand health care coverage and access to drive community investment.

One in five Texans lacks health insurance. Texas needs to find “Texan” ways to expand health care coverage, not just on humanitarian grounds but as a vital element of its economic competitiveness strategy. One obvious potential solution would be to accept expansion of Medicaid under the Affordable Care Act. Beyond that, the state needs to increase its support for hospitals and clinics in rural and underserved urban areas, provide for an expansion of telemedicine and mental health services, and promote training for health care professions. Health care investment could be an important driver of community development and job creation within the state’s 26 metro areas.

Why?

State spending on Medicaid is crowding out other priorities. Until the state taps new revenue sources, Texas will increasingly underinvest in education, infrastructure, and other areas that are vital to the state’s future. Health care deserts in disadvantaged rural and urban areas present obstacles to public health and economic development. Beyond Medicaid expansion, better-functioning health insurance markets can help Texas achieve the twin goals of ensuring improved health for its population while relieving the growing cost burdens on both the public and private sectors.

What’s needed?

• Create new funding streams for health care, ensure better insurance coverage and access for disadvantaged Texans, aim for better outcomes, and slow the growth in health care costs.
• Support the expansion of provider networks in underserved areas in metropolitan and rural areas.

5. Strengthen anchor institutions to drive community development.

Anchor institutions in higher education and health care—“eds and meds”—make vital contributions to skills development, medical care, and quality of life in their communities. But they are also powerful engines of economic growth. In many jurisdictions, they are the biggest employers and property owners. Texas needs to rescind its cuts in higher education and increase its subsidies for medical and technological research.

Why?

Universities are talent magnets, providers of job training, leaders in path-breaking research, and incubators of startup companies that commercialize new discoveries and inventions. Cities with great research universities tend to have higher rates of business startup activity, more innovation, and faster job growth. Teaching hospitals are major employers and provide vital services to their communities but also conduct basic scientific research that spills over to the wider community and fuels local economic growth. The public amenities that universities provide—concerts, public lectures, bookstores, restaurants, bars, and music venues—attract people, who in turn attract businesses.

What’s needed?

• Increase support for basic research and technology commercialization at the state’s research institutions.
• Support the expansion of public university branch campuses in smaller cities and increased access to public universities for under-served communities throughout the state.
• Encourage institutions to become more active engines of local economic mobility, to hire and procure locally, and to create pro-opportunity built environments, integrated with the wider community, around their facilities. MD Anderson’s procurement strategy is a good example for other Texas institutions to follow.
• Increase coordination among universities, employers, and local governments to provide skills training, certification, and career development programs.

• Help anchor institutions become community hubs.

• Incentivize medical centers to create on-ramps to jobs for young people that can potentially lead to careers.

6. Support local initiatives to use community benefit frameworks in economic development deals.

Cities and states across America are increasingly incorporating community benefit frameworks into their economic development policies. Texas and its cities should do the same. Texas cities, as well as the state itself, should become much more intentional about the public goals they aim to advance through their economic development initiatives, develop explicit community benefit frameworks, and pair generous incentives with enforceable promises from companies. Texas should aim to be a great place to relocate a business but also a standout state for corporate responsibility on the part of businesses that move here.

➤ Why?
Texas has long used economic development incentives to attract investment and companies to the state. While Texas cities have experienced outsized success in the competition for capital, state and local authorities have not always been as successful in articulating clear goals for the public benefits they hope to achieve in return, or in following through to monitor companies and hold them to their promises. Some core cities in the state’s major metros also lack well-functioning economic development entities that can act quickly and reliably to compete with other cities in attracting corporate facilities and relocations.

Community benefit frameworks can take many forms, but a natural place to start is workforce development. Texas cities should ask companies receiving tax incentives not just to create a specified number of jobs but also to invest in collaborations with local community colleges, on-the-job training and career development, and recruitment among historically disadvantaged communities. Community benefit agreements might also advance infrastructure investments, equitable development, environmental sustainability, or other public goals.

What’s needed?
• Advance community benefit frameworks that clearly articulate the public goals cities aim to advance through economic development incentives.

• Support a greater emphasis on workforce development goals, including on-the-job training, upskilling, and collaboration with postsecondary educational institutions.

• Ensure the incorporation of explicit racial equity goals in incentive packages.

• Empower local economic development authorities or semi-autonomous economic development organizations to make the state’s cities fully competitive with other U.S. cities.

7. Invest in quality of place, making Texas metros even better places to live.

The future prosperity of Texas metros will turn on their ability to compete for talent from outside and also to develop and retain their own people, including people of color and immigrants. Texas cities must focus on strengthening their competitiveness as quality-of-life centers where people want to live and work. This means competing not only on the basis of affordable housing and low taxes, but on quality “placemaking” and amenities of all kinds. Greenspaces, trails, arts institutions, music venues, theaters, and walkable, culturally interesting neighborhoods will play a crucial role in shaping the competitiveness of cities in the contest for talent.

➤ Why?
Studies show that talented people are drawn to locations for lifestyle reasons, and then businesses follow. The cities and neighborhoods that win the competition for skilled workers create outsized opportunities for lower-skilled people as well, increasing economic mobility. This is the core dynamic that is driving growth in big cities like Austin and smaller ones like New Braunfels.
Quality-of-life investments can help attract people, capital, and jobs to struggling urban neighborhoods. A growing number of U.S. cities have achieved impressive turnarounds in formerly moribund downtown areas by developing attractive destinations along riverfronts or around historic sites. America’s most successful suburban cities, meanwhile, have been the ones that replicate all the functions of a successful city—job centers, quality retail, arts and culture institutions, and well-designed greenspaces—rather than focusing solely on residential development.40

While new amenities in lower- to moderate-income neighborhoods invariably raise concerns over gentrification and displacement, the solution is to strike a careful balance between growth and stability. Texas’s major cities all have vast areas that are suffering from decades of disinvestment. That is much more damaging than the side effects of new capital and people can ever be.

Texas’s metro areas generally score relatively high on measures of “livability,” but the state needs to be more intentional about strengthening their competitive positions. Struggling neighborhoods need significant improvements in quality-of-life amenities and urban placemaking. Large Texas cities, among America’s most racially diverse places, can learn from successful efforts to create Black, Hispanic, and Asian “downtowns” in other large cities. Governments need to get ahead of rapid development in high-growth suburban cities with plans for high-quality outdoor amenities and sustainable infrastructure that will ensure their attractiveness and financial stability over the long run.

Although the pandemic has temporarily reduced traffic congestion in the state’s major core and suburban cities, Texas must also recognize that safe and functional mobility is essential to livability. Texas and its cities must invest in transportation infrastructure of all kinds, from suburban roads to multimodal mass transit, bike lanes, and sidewalks.

What’s needed?

- Support aggressive investments in placemaking and amenities to make Texas cities even better places to live: Develop more high-quality greenspaces, support arts and culture institutions, and work with developers to build more mixed-income, walkable neighborhoods.
- Make investments in walkable “downtowns” and other destination neighborhoods in ways that advance equity goals, including Black, Hispanic, and Asian American “downtowns” in locations with historical or cultural significance.
- Incorporate large-scale, well-designed greenspaces into master plans for new suburban development.
- Make improvements to transit and active mobility infrastructure, especially complete streets.

8. Invest in border and international trade infrastructure, including ports and airports.

Texas border metros like El Paso, Brownsville, and Laredo are actually binational communities whose economic development is closely linked to that of their Mexican counterpart metros. Collaboration between American and Mexican local authorities and business communities is generally strong, as are the family and cultural ties that span the international border. However, the U.S.-Mexico border—especially the conditions for crossing it—is controlled by the respective federal authorities. State and local officials should work to take full advantage of existing mechanisms to encourage the federal government to target inspections and ease the flow of legitimate border traffic. In particular, they should advocate for expansion of the geographic scope of the Border Master Plans to ensure that inland ports and logistics infrastructure keep pace with developments at the border to cement the state’s status as a hub of international trade.41

The state is fortunate to have robust ports, such as the Ports of Houston and Corpus Christi and others, and hub airports in DFW international Airport and George Bush Intercontinental Airport that serve as connections and entryways to the global economy. Continuing to make investments in these anchors is essential to the state’s long-term economic competitiveness.
Why?
Texas’s standing as the nation’s most important state for international trade has driven the growth of its port and border cities over the decades since the implementation of the NAFTA trade agreement in 1994 (replaced as of July 1, 2020, by the U.S.-Mexico-Canada Agreement). But self-defeating federal border policies and inadequate cross-border infrastructure have not evolved with the expansion of trade flows.

What’s needed?
- Pursue partnerships with federal, state, and local governments with buy-in from private-sector users of the border—not just trucking companies and railroads, but also major shippers like the auto, telecommunications, and aerospace industries—to modernize and build border-crossing infrastructure with an eye to efficient routes.
- Support private-sector-led expansion of port facilities and commercial rail links.
- Expand cross-border economic development initiatives that promote collaboration and improved civic innovation, building on successful examples like the Borderplex Alliance in the El Paso-Juarez-Las Cruces area.
- Ensure investments to support the modernization of critical gateway infrastructure such as ports and airports continue.
Housing and Land Use

Housing security and housing affordability have become central issues for not just Texas, but also the nation. The issue was front and center in the 2020 presidential campaign. Rising real estate prices are eating into the cost advantage that has long been a key attractor for Texas metro areas. Sale prices in Houston and Harris County, for example, have risen 37% and 38% since 2010. Median home values have increased 58% since 2010 in the Dallas-Fort Worth metro area. Similar trends exist in the state’s other rapidly-growing metros. Many median-income renters are being squeezed by rising rents, no longer able to enter the ranks of homeownership. COVID-19’s impact has raised the specter of mass evictions and homelessness. Even before the pandemic, Texans recognized the importance of acting to address this challenge. In a February 2020 Texas Lyceum poll, 68% of Texans indicated they believe the government should act to address housing issues. But to do so effectively, local governments need more power to enact and enforce economically and ecologically sound zoning mandates, to raise money via taxes and fees, and to invest it in housing initiatives as they see fit. They also need tools to build deeper partnerships with state and private market developers.

Renters are the most vulnerable population. The few regulations that do exist in rental markets protect owners rather than tenants. Since the pandemic struck in March 2020, for example, more than 23,600 evictions have taken place in Houston and more than 12,400 in Fort Worth. Austin has had the fewest evictions of any of Texas’s major cities (862) because of actions that its local leaders took.

Texas’s affordable housing system is limited compared to other states’ because of low state funding for affordable housing and the lack of a robust nonprofit housing sector. Texas should look for ways to expand state support to metro areas and encourage the nonprofit ecosystem to direct more of its efforts toward the issue.

1. Promote the development of market-rate housing. The state should ensure that its land use regulations are not tying the hands of localities. Meanwhile, localities should allow greater flexibility in their own land use rules, pursuing up-zoning, loosening parking requirements, streamlining development processes, and relaxing other restrictions that hamper development in supply-constrained metros.

Why?
Many of the state’s largest cities have antiquated zoning codes (or none, in Houston’s case) and unduly complex development permitting processes, resulting in slow growth in new housing supply and growing affordability challenges—including for middle-class residents. Local rather than state policies are mostly to blame and removing them should be a major priority for local governments. However, the state has a role to play in promoting local housing markets where supply keeps up with demand, allowing Texas to remain a relatively affordable place to live, a key element in the state’s competitiveness.

What’s needed?
• Support zoning code modernization and streamlining of development processes in localities.
• Make state infrastructure investments to protect the state’s competitive edge as an affordable place to live.

2. Enable more affordable housing partnerships. To address Texas’s housing challenges, the state must encourage collaborations between for-profit, nonprofit, and public housing sectors. A key step will be to obtain additional state funding for the support of nonprofit housing initiatives. Collaborations can also promote the preservation of existing low-cost housing. Efforts must be made to ensure that lower-cost, higher-density housing is built in all parts of our urban areas, with access to education and job-market opportunities.
Why?
Given the paucity of state funding, the three sectors can achieve more through partnerships than they can individually. Building affordable housing for the state's workforce in all jurisdictions will help overcome the stigma that is sometimes attached to it.

What's needed?
- Offer more financial support for the community development corporation/nonprofit housing ecosystem through the Texas Department of Housing and Community Affairs, especially in urban areas.
- Create tools that incentivize collaborations between public or mission-driven nonprofits and market-rate developers. When creating programs, ensure they are sufficiently subsidized and that they target key vulnerable groups.
- Make tweaks to existing programs, such as Low-Income Housing Tax Credits, to garner more private-market interest.

3. Provide additional state incentives and funding streams for housing.
   The state restricts jurisdictions’ abilities to raise revenues for local housing initiatives and controls the types of incentive programs they can provide. State rules around economic development tools such as tax abatements and community land trusts should be clearly defined and allow localities as much discretion as they need.

Why?
Revenue caps and limitations on the creation of new funding mechanisms make it impossible for localities to do all that they can to address this critical issue.

What's needed?
- Ensure consistent tax-exemption regulations and clear, standardized expectations to promote the use of novel structures for affordable housing development and increased homeownership opportunities, like community land trusts.
- Allow for discretion to create and tap revenue streams to support affordable housing. Counties must also be empowered to address housing challenges in rural areas. Give both the flexibility they need.
- Standardize tax abatement and exemption rules so localities and appraisal districts don’t have to constantly renegotiate exemptions. Consider expanding abatements to target additional vulnerable groups and give local jurisdictions greater authority to offer abatements to promote affordability and homeownership in targeted low- to moderate-income areas, with the aim of protecting existing affordable housing and neighborhoods.
- Give local jurisdictions the ability to build affordability requirements into local incentive programs.

4. Promote renter protections.
The state's lack of renter protections renders low-income and affordable housing programs less effective. Action is needed to prevent source-of-income discrimination, mandate notification of flood risks, standardize eviction processes, and provide tenants with the right to cure.

Why?
Housing choice vouchers, for example, are one of the most effective ways to subsidize housing, but are undercut if landlords may legally discriminate against voucher holders. Ensuring that renters are fully informed about their rights, their risks, and where they can go for redress reduces their vulnerability.

What's needed?
- Advance significant renter protection legislation. Evictions and foreclosure issues have risen markedly since COVID-19 hit, with 11.6% of Texans already behind in housing payments or concerned they won’t be able to pay their rent or mortgage as of December 2020. Additional protections can help keep households stable and prevent further increases in the state’s vast homeless population.
• Prohibit source-of-income discrimination by landlords.
• Work with landlords and public housing authorities to streamline and improve the voucher process so that faulty paperwork is not a reason for rejection.
• Provide renters with the same education courses that homebuyers can take to ensure that they are fully apprised of flood threats and that they know their rights and where they can go for help.

5. Ensure flexibility and effectiveness in key housing programs.
State-administered programs such as the Low-Income Housing Tax Credit (LIHTC) and public finance corporations provide large numbers of homes. The problem is that they are so restrictive that many jurisdictions are unable to take full advantage of them. The state should enable local flexibility (for example by rescinding the distance to other project points when appropriate) and ensure that everyone who can benefit from such programs do.

► Why?
One-size-fits-all federal and state regulations allow too many needy people to fall through the cracks. Local jurisdictions should have maximum flexibility to implement programs in the most effective ways. Public Finance Corporations and other state-created vehicles lack proper definitions and structures, limiting their effectiveness. Existing programs should be tracked and rigorously assessed.

What’s needed
• Ensure that state housing programs provide opportunities to households with the greatest need. This requires appropriate affordability definitions that cover a wide range of household sizes and incomes.
• Add additional state oversight to make certain the system is not being gamed. Ensure that units are occupied by the families they are intended for.
• Work to ensure that public subsidies create long-term affordability by expanding affordability periods and building material quality in existing programs. Entities looking to acquire and preserve affordable units at the end of their affordability periods should be able to compete with for-profit developers on an even playing field.
• Give localities greater flexibility to tailor state programs to their existing needs. No one in need should be deprived of a subsidized unit due to a technicality.
• Loosen LIHTC rules to allow cities to site LIHTC properties within closer proximity to one another and to use LIHTC subsidies to promote mixed-income housing development.

6. Grant localities flexibility on incentives and goals.
Local governments should be able to target initiatives as they see fit, providing incentives to private and public entities to ensure they are meeting their goals of neighborhood stabilization, increased homeownership, and housing development in high-opportunity and transitioning areas.

► Why?
Local incentives can help ensure that housing investments are aligned with infrastructure and economic development needs. The state should support efforts to meet local priorities.

What’s needed
• Enable local jurisdictions to set both priorities and the forms of incentive. The state should not arbitrarily restrict local governments’ ability to create inclusive housing.
• Give local governments greater flexibility to create incentives that promote collaboration between private and nonprofit/public developers. All parties should be motivated to create the most effective programs.
• Promote housing investments that are aligned with other plans and priorities, as well as community benefits agreements that advance neighborhood stability and other public priorities.
7. **Address homelessness through a “housing-first” strategy.**

It is estimated that more than 25,000 Texans are experiencing homelessness—a number that may grow considerably because of the financial fallout from the COVID-19 pandemic.51 As cities struggle to shelter the homeless, their efforts have had mixed results. Research shows that a “Housing First” approach—if fully funded and supported by state and local governments, the private sector, and philanthropic organizations—could prove both effective and durable.52 The state should partner with local jurisdictions to fund and build high-quality permanent supportive housing.

**Why?**

When high-quality permanent supportive housing exists, it is possible to immediately move people from life on the streets to stability. Study after study has shown that housing-first strategies are more cost-effective than delivering services to the unhoused.53,54

**What’s Needed?**

- Expand Medicaid and enable the use of Medicaid funding to cover support services provided by housing agencies, freeing up funds for the creation of permanent supportive housing and other direct interventions.

- Loosen restrictions on who can benefit from publicly subsidized permanent supportive housing. Preventing people with criminal histories or addiction issues from accessing supportive housing undercuts the system.
Transportation and Infrastructure

Metropolitan Texas needs a metropolitan infrastructure for the 21st century, meaning broadband, high-tech movement of freight, and more multimodal transportation options within and between cities. It also means investments in flood control and water/sewer systems to deal with climate change and population growth. It will require Texas to upgrade its energy grid, ensuring that it is climate-ready and can withstand the pressures of extreme weather events like the winter storm in February 2021 that brought the state to a halt.

Despite Governor Abbott’s recent declaration that road-building has reached its limit in Texas, most of the state’s transportation funding and planning is still focused on highways. The state’s metro areas mostly score relatively well among U.S. cities for their commuting times, but that’s a low bar and congestion is not the only measure of success. Texas needs to address the full range of its metro areas’ mobility needs, for goods as well as people.

Low- to moderate-income Texans in the state’s vast metros increasingly live in areas that suffer from chronic under-investment and concentrated poverty, far from the booming job markets in and around their central cities. Poor job market access and high transportation costs pose substantial barriers to opportunity and economic mobility. Safety is also a major concern, for drivers and pedestrians alike. At least one person has died on Texas roads every day since Nov. 7, 2000.

Movement of goods remains a major challenge for the state, especially into and out of seaports. Virtually all of Texas’s key freight routes operate at a low level of service. Available incentives to modernize are not being used. For example, the Texas Emissions Reduction Program is undersubscribed.

Further, COVID-19 has upset typical patterns of commuting and the movement of goods. As businesses and communities adjust to more geographically deconcentrated models of work after the pandemic, the state’s infrastructure will need to adapt.

1. Define infrastructure broadly.

The future focus for infrastructure should be on a broad range of capital needs that modern metros require to be globally competitive. These include broadband, passenger transportation, smart roads that are optimized for autonomous vehicles and resilience, a climate-ready energy grid, and more. As noted earlier, COVID-19 has highlighted Texas’s digital divide, which is both profoundly inequitable and unsustainable.

Why?

The pace of technological change and its impact on other systems means that Texas metros need to be nimble with their investments. Plans should include built-in ways for major projects to adapt and adjust to changing needs and technology. Infrastructure investments should also work to close equity gaps. Lack of access to adequate broadband, for example, complicates access to employment opportunities for disconnected communities. During the pandemic these same communities have lacked access to telemedicine.

What’s needed?

• Support a strategic effort to define and then build out a modern infrastructure for the movement of people, goods, and ideas. This will include improvements and additions to the transportation network, expansion of broadband service, and the strengthening of critical utilities to withstand storm events and climate change.

• Align and coordinate planning and funding from federal, state, and local governments.

• Upgrade the energy grid so that it can sustain the pressures of climate change and increased development.

• Focus not just on major infrastructure investments, but also on localized issues and smaller-scale improvements. Work to update or replace failing or inadequate infrastructure in communities can mesh with economic development goals and help address historic under-investment.
• Support a statewide effort to bring broadband to remote rural areas and to under-resourced urban communities. Rural efforts could be modeled on the Depression-era Rural Electrification programs.

• Advance systems to provide subsidized or free connections for people who can’t afford them.

• Build training and education programs that prepare students and workers for technological transitions and the opportunities that will come with them.

2. Use rail strategically for the movement of goods, especially into and out of ports.

Goods movement and logistics make up a critical part of the metropolitan Texas economy, accounting for 2.2 million jobs, $215 billion in gross domestic product, and $49 billion in state tax revenue. Texas’s continued population growth and increased consumer demand, coupled with the state's strong position in international trade, continues to add truck traffic to its roadways, stressing the existing system. The state should improve freight rail and rail-port connections to reduce dependence on truck traffic.

► Why?
The Port of Houston is the second-largest port in the nation and the Dallas-Fort Worth area is one of the nation’s leading warehousing and distribution hubs. But goods movement in metropolitan Texas is hampered by traffic congestion, especially in and out of ports. Improving these systems can reduce stress on the highways while accelerating economic growth.

What’s needed?
• Improve rail lines into and out of ports, on the model of the Alameda Corridor in Los Angeles, so that freight is not so dependent on trucking.

• Move forward with critical components of the Texas Freight Mobility Plan, especially removing bottlenecks and improving safety, and align these efforts with long-term plans and goals for pollution reduction and other important priorities.

• Support the participation of local jurisdictions in freight planning and project implementation, ensuring that the communities impacted by freight expansion participate in planning for the future.

3. Expand funding opportunities for infrastructure.

Current funding streams such as Proposition 1 and Proposition 7 provide billions for highways, but in Texas’s metropolitan areas, a multimodal approach is also needed. Allowing localities to raise more revenues for their own systems could promote more options for mobility. Beyond transportation, the state should ensure that localities have the support they need to make innovative and sustainable infrastructure improvements.

► Why?
People rely on countless infrastructural systems for the functioning of daily life. Investments that reduce the number of private vehicle trips can help alleviate congestion and reduce emissions; these include public transit, bike and pedestrian paths, and micromobility like bike and electric scooter sharing. Green stormwater projects not only reduce flooding impacts, but create additional co-benefits, such as additional greenspace and improved water quality. Funders and planners need to recognize that projects can meet more than one goal.

What’s needed?
• Take advantage of federal programs that allow for investments in non-highway transportation, especially multimodal, high-capacity public transportation.

• Examine state funding sources to see if they can be made more flexible.

• Ensure that funds are available and applicable for complete streets efforts that allow multiple improvements to be made during a single project.

• Identify local funding sources that could be added or unlocked to provide additional funds for multimodal metropolitan transportation.

• Explore new models of public transit, including partnering with ride-sharing firms, as Arlington has experimented with.

• Utilize existing and potentially new federal funding streams to invest not just in major projects, but also in important projects at the local level. Investments in streets, sewer/water, stormwater, and the like can improve quality of life and open opportunities for
addressing other challenges by attracting additional investment in housing and economic development.

- Encourage localities to embrace alternative infrastructure approaches that add co-benefits, such as Houston’s recent greenstorm water incentive program. Similarly, highway projects can be leveraged to decrease flood risk.

4. Focus on maintenance as well as expansion

Expansion of the state’s transportation system, including highways, is clearly an important part of Texas’s future. But focusing too much on expansion can sometimes mean neglecting routine maintenance. Maintenance prevents future breakdowns that are much more costly. The American Society of Civil Engineers gave Texas a C on its last infrastructure report card from 2021, citing maintenance issues in many categories.

Why?

Much of Texas’s metropolitan infrastructure—especially its highways and dams—are decades old and in need of repair. While investing in new projects, the state should ensure that its existing systems are functional and safe. Improvements to existing infrastructure can have the same positive effects as investments in new systems.

What’s Needed?

- Focus on rebuilding as well as expanding necessary roadways and other transportation corridors.
- Embrace the preservation of assets goal of the Texas Transportation Plan 2050.
- Pursue mixture of local, state, and federal funding to address long-standing maintenance issues. Harris County’s passage of a $2.5 billion flood control bond and the leveraging of state and federal funds to address flooding issues large and small after Hurricane Harvey is a good example to emulate elsewhere.
- Use existing funding channels in creative ways to help with deferred maintenance on public transportation systems and local streets designated as state highways.

5. Prioritize safety and health.

Expand efforts to increase safety on highways and roads, for both motorists as well as pedestrians and bicyclists. In 2019, 3,610 people died in roadway crashes and an additional 15,843 were seriously injured. Of these deaths, 728 were pedestrians or bicyclists—an 82% increase over the 2010 number. Local governments have started to take street safety seriously in the past few years, with multiple cities and counties committing to Vision Zero campaigns that aim to reduce fatalities to zero. The state has created an “End the Streak” PSA to raise awareness of the issue and to encourage safer driving habits but has not yet committed to a statewide Vision Zero plan.

Why?

The loss of life and serious injuries on Texas streets and highways not only devastates the families that lose loved ones or struggle to deal with long-term injuries, but also takes a toll on the future of the state. The economic and health care costs for traffic deaths are in the billions of dollars. Investments in both local streets and high-capacity roadways can improve safety for all users. Additional regulations at both the local and state levels can likewise improve safety.

What’s Needed?

- Maintain funding to support safety improvements on all state transportation infrastructure.
- Pass hands-free laws for cell phones.
- Enforce DUI laws.
- Embrace and support local Vision Zero commitments and consider making a similar commitment statewide.
- Prioritize the safety of bicycles and pedestrians at intersections, especially in suburbs, where most pedestrian fatalities occur.
- Consider lowering the prima facie speed limit on local streets or allowing local governments the ability to do so at their discretion.
6. **Utilize existing transportation incentives.**

The state has a number of existing funding streams that can help localities make significant shifts in transportation infrastructure and other systems. These funding streams should be protected and promoted so that localities can make fuller use of them to invest in multimodal public transit and other underfunded systems.

**Why?**

Texas has a number of programs that provide localities with funds for transportation maintenance and improvement, but many are undersubscribed or stand to be phased out once funds are exhausted. These programs include the Texas Emissions Reduction Program, the Transportation Tax increment, and more. They should be extended and widely promoted.

**What’s Needed?**

- Remove barriers to program use.
- Publicize program availability and work with localities to apply for programs.
- Follow new federal funding streams to ensure that state and local jurisdictions are taking advantage of them.
- Add a use-it-or-lose-it feature to programs so funds can be reallocated to localities that have ambitious plans from communities that don’t.
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