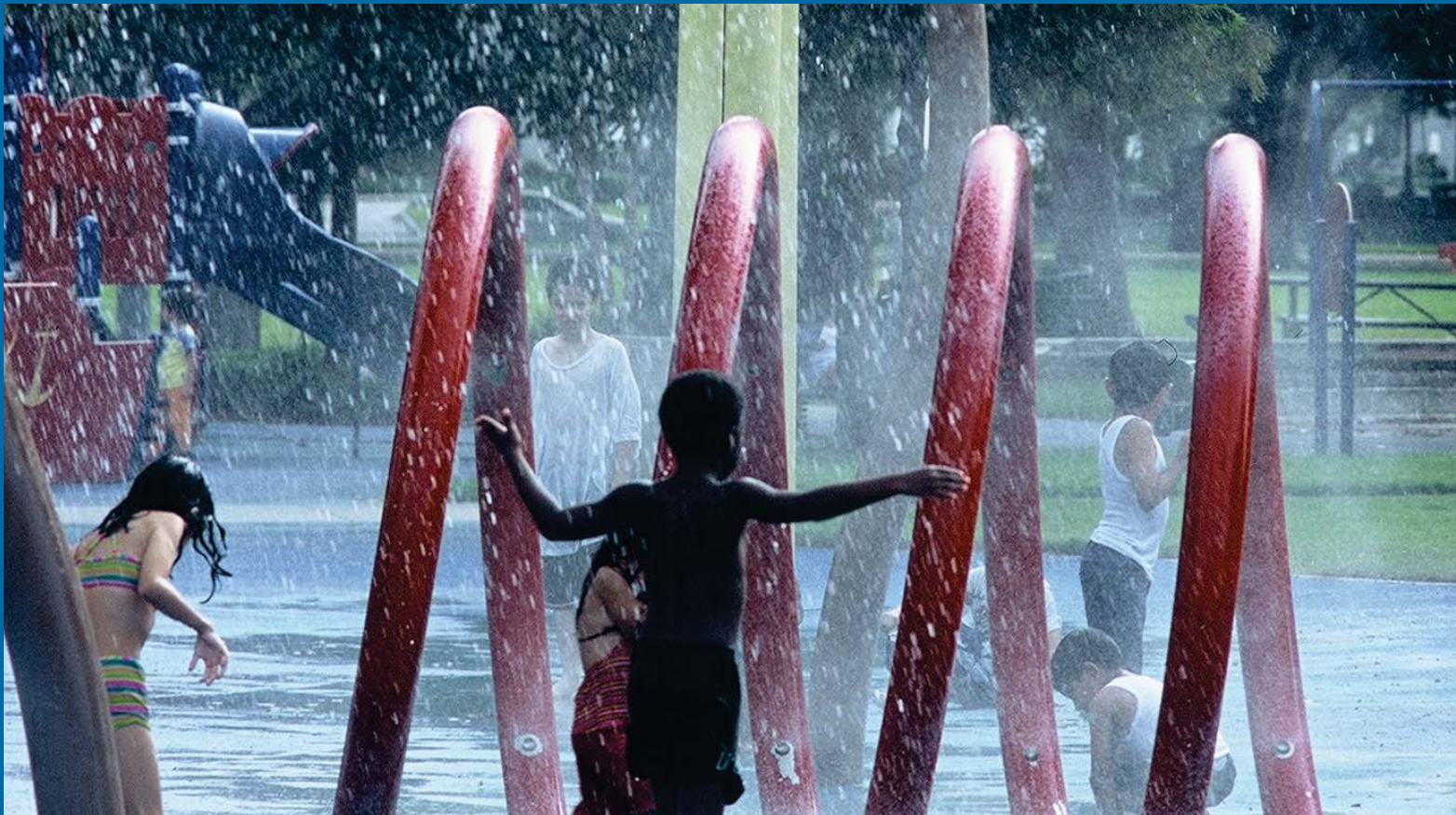




# Opportunity Urbanism Creating Cities for Upward Mobility

Written by Joel Kotkin



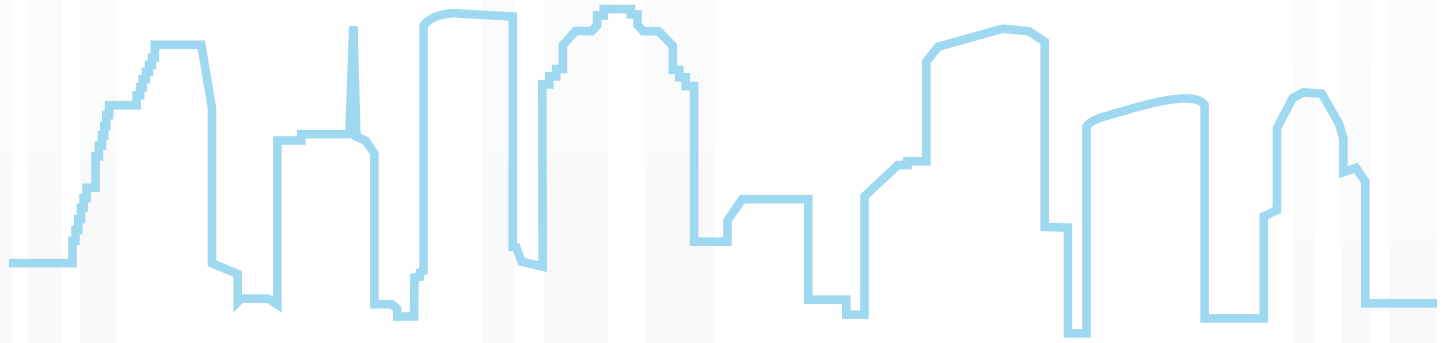
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## EXECUTIVE SUMMARY

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Over the past decade, we have witnessed the emergence of a new urban paradigm that both maximizes growth and provides greater upward mobility. We call this opportunity urbanism, an approach that focuses largely on providing the best policy environment for both businesses and individuals to pursue their aspirations.

Although contrary to much of the conventional wisdom about cities and regions, this is not a break with traditional urbanism, but instead a reinforcement of old traditions. Long ago, Aristotle reminded us that the city was a place where people came to live, and they remained there in order to live better. “A city comes into being for the sake of life, but exists for the sake of living well.”<sup>1</sup> In the end, opportunity urbanism rests on the notion that cities serve, first and foremost, as engines to create better lives for its residents.

### The Houston and Luxury Models

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We have focused on the Houston metropolitan area because in many ways it reflects the idea of opportunity urbanism more closely than any major metropolitan area. Across a broad spectrum—income growth, new jobs, housing starts, population growth and migration—no other major metropolitan region in the country has performed as well over the past decade. This was among the first major metropolitan regions to replace the jobs lost in the recession, and has experienced by far the largest percentage job growth since, with Dallas-Ft. Worth second.<sup>2</sup>

In many ways, opportunity urbanism contrasts with the prevailing urban planning paradigm—variously called new urbanism or smart growth—which seeks to replicate the dense, highly concentrated mono-centric city of the past. At the core of this approach is the notion that policies of forced density, through regulatory mandates and often subsidies,<sup>3</sup> are critical to attracting both young, educated people and the global business elite.<sup>4</sup> This approach describes the successful city, in the words of former New York Mayor Michael Bloomberg, as “a luxury product.”<sup>5</sup>

This notion of the “luxury city” can be seen to have worked, at least for some, in well-appointed older cities such as New York, San Francisco and Boston. Unlike most American cities, these boast long-established dense cores and transit-oriented commuter sheds. They possess great amenities tied to their past, from world class art museums and universities, to charming historic districts, parks and public structures.

But this model of urbanism does not fit the profile of most American metropolitan regions, which tend to be far more recent in their development, more dispersed and overwhelmingly auto-dominated in terms of commuting.<sup>6</sup> Indeed, most of the fastest growing regions in this country—Houston, Dallas-Ft. Worth, Oklahoma City or Atlanta—function in a highly multi-polar model, that contrasts sharply with that of cities like New York, Boston or Chicago.

### Prospects for Upward Mobility

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The luxury paradigm has worked for some in some cities, but has failed, to a large extent, in providing ample opportunities for the middle and working classes, much less the poor. Indeed, many of the cities most closely identified with luxury urbanism tend to suffer the most extreme disparities of both class and race.<sup>7</sup> If Manhattan were a country, it would rank sixth highest in income inequality in the world out of more than 130 countries for which the World Bank reports data. New York’s wealthiest one percent earn a third of the entire municipality’s personal income—almost twice the proportion for the rest of the country.<sup>8</sup>

Indeed, increasingly, New York, as well as San Francisco, London, Paris and other cities where cost of living has skyrocketed—are no longer places of opportunity for those who lack financial resources. Instead they thrive largely by attracting people who are already successful or living on inherited largesse.

They are becoming, as journalist Simon Kuper puts it, “the vast gated communities where the one percent reproduces itself.”<sup>9</sup>

Not surprisingly, the middle class is shrinking rapidly in most luxury cities. A recent analysis of 2010 Census data by the Brookings Institution found that the percentage of middle incomes in metropolitan regions such as New York, Los Angeles and Chicago has been in a precipitous decline for the last thirty years, due in part to high housing and business costs.<sup>10</sup> A more recent 2014 Brookings study found that these generally high-cost luxury cities—with the exception of Atlanta—tend to suffer the most pronounced inequality: San Francisco, Miami, Boston, Washington DC, New York, Chicago and Los Angeles. Income inequality has risen most rapidly in the very mecca of luxury progressivism, San Francisco, where the wages of the poorest 20 percent of all households have actually declined amid the dot com billions.<sup>11</sup>

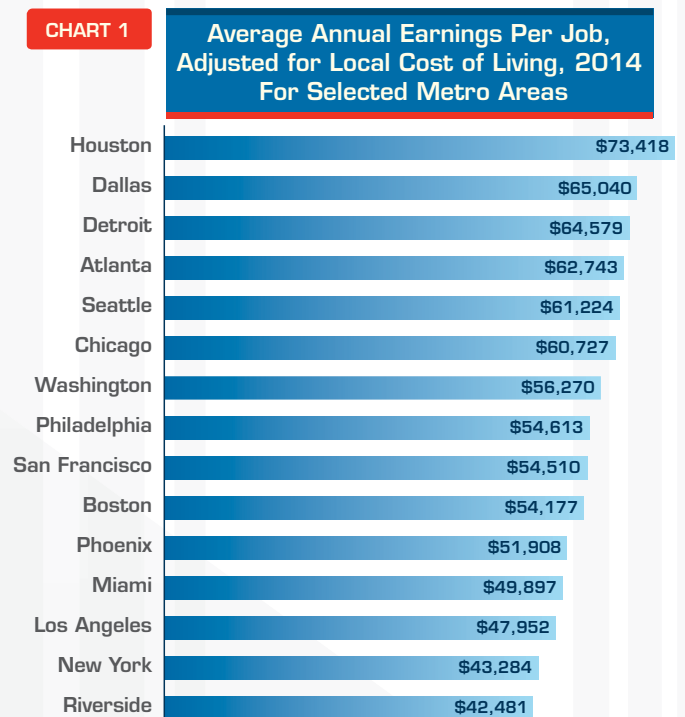
Like other large cities, Houston also suffers a high level of inequality, but its lower costs have helped its middle and working class populations to enjoy a higher standard of living than their luxury city counterparts.<sup>12</sup> The promise of the opportunity urbanism model also can be demonstrated by lower income disparities between racial groups, higher GDP growth, less expansion of poverty and the greater production of high-paying mid-skilled jobs. In these aspects, opportunity cities like Houston greatly out-performed their often more celebrated rivals.

## How to Measure “Living Well”

We leave this introduction with one statistic that most encompasses the success of the Houston opportunity model and exposes the weakness of smart growth: the cost-of-living adjusted average paycheck.

Despite the assertions of Paul Krugman, among others, that the Texas urban economy is based on low wages, the fact is Harris County’s average household income is above the national average; close to that of Boston. But once the cost of living is factored in, Houston does far better for its citizens compared to any of the legacy cities.<sup>13</sup> Houston, with Dallas-Ft. Worth a strong second, is able to provide its citizens the highest standard of living, as measured by average annual adjusted wages, of any major metro in America. This is different than subjective “quality of life,” but includes such basics as jobs, housing and overall cost of living.

CHART 1 | PG. 2



Source: Praxis Strategy Group analysis based on Q2/14 EMSI wage data and 2013 C2ER cost of living data

## THE POLICY PERSPECTIVE

The philosophic underpinning of opportunity urbanism lies with the assumption that individuals and businesses usually are best at determining how to organize themselves and their lives.

This is not an argument for or against government, but about how its resources are best employed. Regulation, for example, is necessary to maintain basic standards of health and safety. Similarly, government needs to play a leading role, often in conjunction with private and non-profit organizations, to build the necessary basic infrastructure, from roads and transit to parks and water systems, that make a dynamic city work.

The Houston model, however, breaks with the conventional view that government regulation should drive and determine the character of urban growth. Rejecting this top-down approach is sometimes denounced by urban analysts, including some in Houston, as “pro-sprawl” and detrimental to higher-density growth.<sup>14</sup> Yet, as we will demonstrate, Houston’s continued suburban expansion has not prevented significant growth within the metropolitan area’s inner core. This assertion represents an ultimate example of how urban sprawl is misleading and exaggerated.

BOX 1 | PG. 3

### URBAN SPRAWL IN CONTEXT

BOX 1

Houston is often cited as the ultimate “sprawl” city, especially by urban planners. This is not surprising in that Houston’s approach to planning and development diverges from the preferred approach among most planners and academics. But urban sprawl is a very poorly defined and overused term. Merriam Webster offers a fairly unusual objective definition: “the spreading of urban developments (as houses and shopping centers) on undeveloped land near a city.”<sup>15</sup>

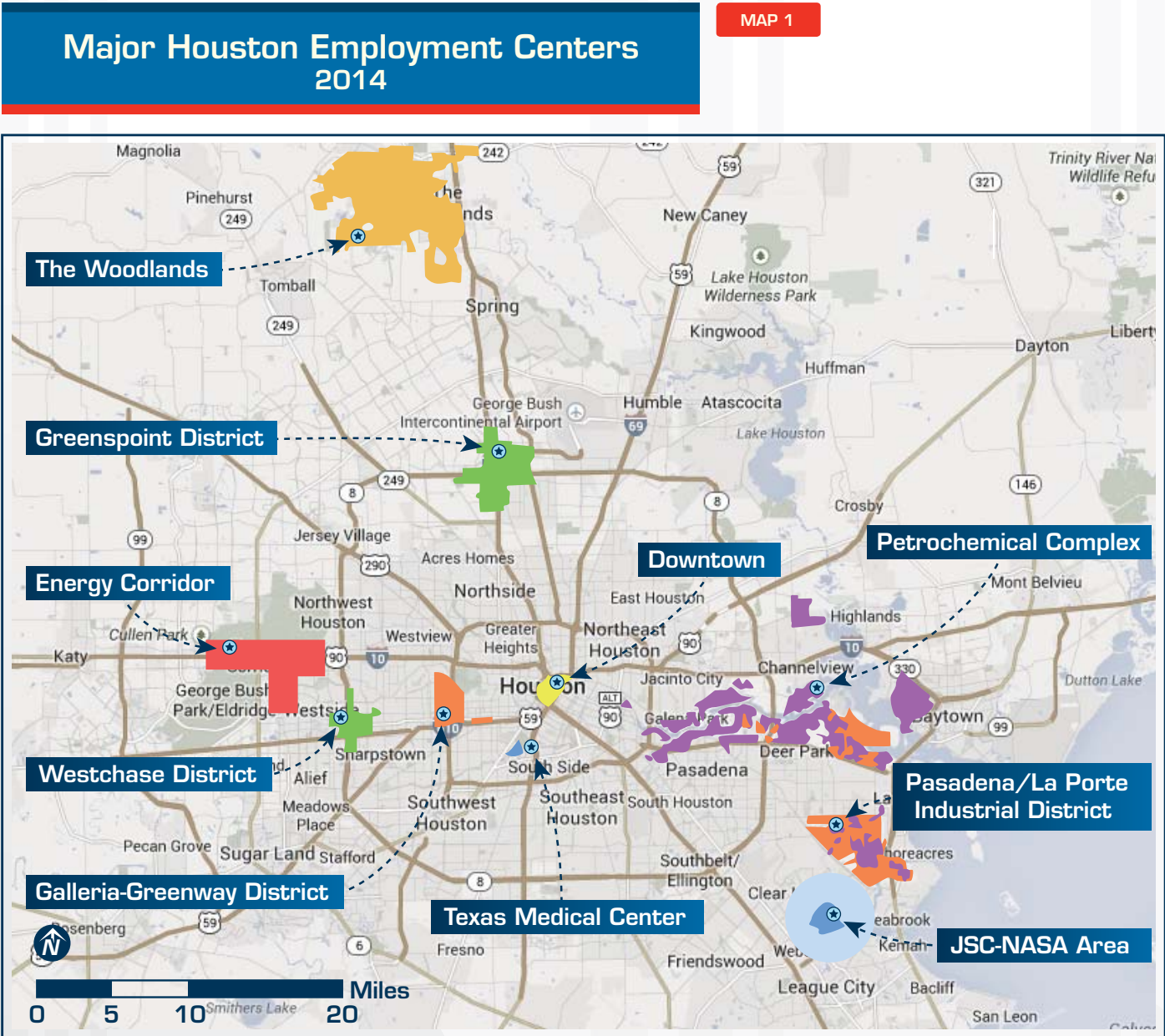
Obviously, urban sprawl can be measured by urban expanse and especially density. Yet the lack of discipline in the use of the term is astounding. Planners pin the “sprawl” label on places as diverse as Atlanta (the least dense large urban area in the world) to Dhaka,<sup>16</sup> the most dense at 114,000 per square mile.<sup>17</sup> The result is that the term has become a virtually meaningless pejorative, summoned for derisive use for whatever city a particular author does not like.

In this context, it is well to recognize that virtually all cities sprawl. The Houston urban area has a density of approximately 3,000 per square mile. This urban density ranks Houston 19th among the 51 metropolitan areas with more than one million in population in 2010.<sup>18</sup> There are metropolitan areas with much higher urban densities (for example, Los Angeles, at 7,000) and much lower (for example, Atlanta, Charlotte, Nashville, Hartford, Raleigh and Birmingham, at 1,700 or lower). Even Portland, much admired for its densification policies is less than 20 percent more dense. Indeed, 86 percent of the population in major metropolitan areas lives in functionally automobile suburban areas, which generally have low densities.<sup>19</sup>

Low densities—usually lower than that of Houston—typify American cities. The appropriate standard for evaluating urban performance is how well a city serves the aspirations of its residents. Houston has been particularly successful in this, which is why so many people from elsewhere in the nation locate there.

Houston, notes author Lars Lerup, can be seen best as having developed a kind of “self-organizing” urban model which follows the market (consumer preference), not governmental diktat. Lerup describes the city as “a giant pubescent body in a continuous state of becoming.”<sup>20</sup>

Developed mostly in the post-WW2 auto-centric era, Houston, like other opportunity cities, does not easily fit the more monocentric New York model,<sup>21</sup> with no more than four percent of Houstonians traveling to work by bus or train.<sup>22</sup> The bulk of employment in Houston, occurs in a series of dynamic centers, such as The Woodlands, home to some 40,000 residences and over 50,000 jobs, and others such as Uptown, the Texas Medical Center, Greenway Plaza, Westchase, Greenspoint, and the Energy Corridor—all except the Woodlands within the city limits. MAP 1 | PG. 4



## The Importance of No Zoning

Houston’s most distinctive and oft-discussed feature lies in not using zoning in the city or the unincorporated areas. As a result, land use is flexible to meet demand while permitting follows a simple, quick, and predictable checklist of requirements. There are no arbitrary and subjective approval boards. Higher allowable residential densities (up to 27 units per acre) were recently expanded outside of the core (i.e., inside the 610 loop) to all of the city of Houston (a substantial increase from the previous eight units per acre). Neighborhoods can protect themselves with voluntary, opt-in deed restrictions to protect their character.

This approach, notes Houston architect and developer Tim Cisneros, has accelerated not only suburban growth, but also sparked burgeoning apartment and town home development spreading outwards from the core. In the process Houston is now creating a nascent new urban culture—restaurants, clubs, art galleries and creative offices—heavily populated by a new generation of Houstonians and their businesses.

The Houston approach’s success in sparking inner city development can be seen clearly in the region’s historic core. No one would mistake downtown Houston for Manhattan, but Houston’s central business district still represents six percent of the metropolitan area’s jobs, 2.5 to 4.5 times as much as one would find in Los Angeles or Phoenix.<sup>23</sup> Overall downtown Houston boasts among the lowest vacancy rates in the nation.

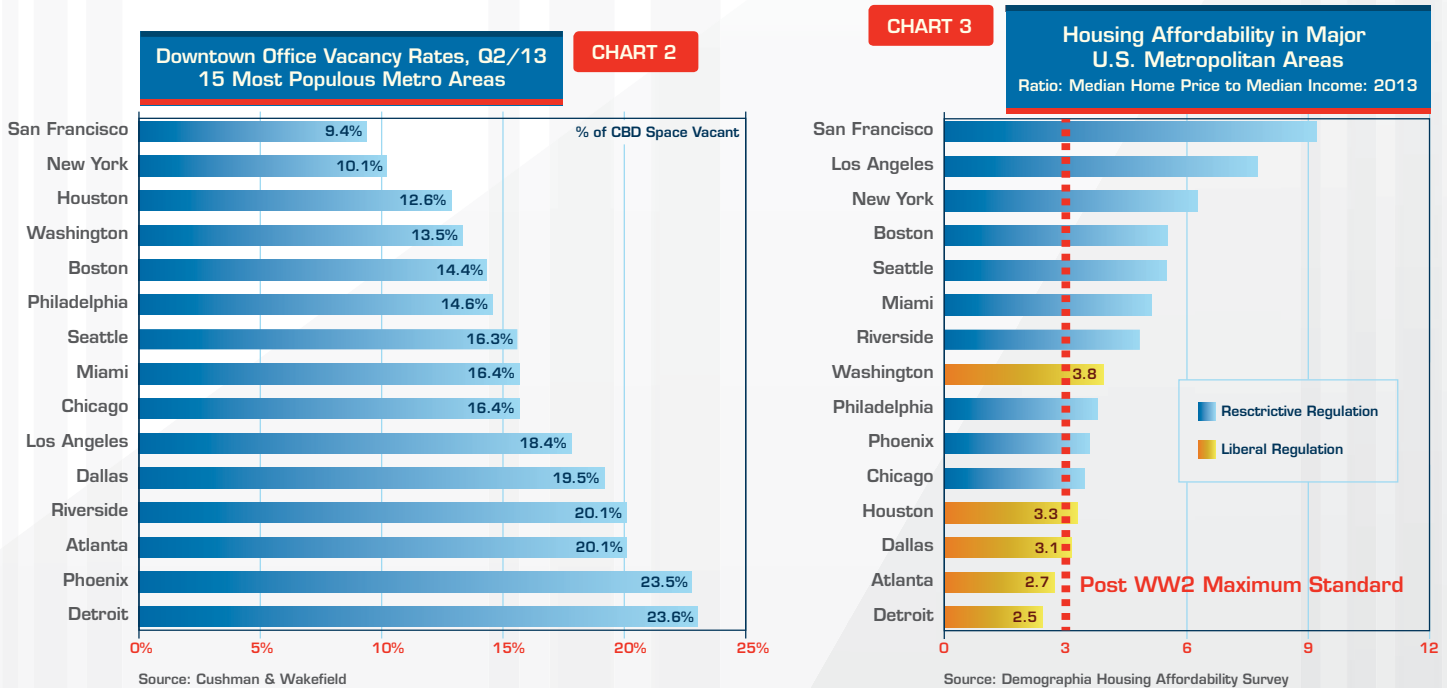
CHART 2 | PG.5

## The Critical Edge: Housing Affordability

One key to Houston’s success has been in keeping the price of housing well below the prices paid in most luxury cities. This gives the region a built-in advantage—particularly in terms of talent attraction over time—compared to major competitors such as New York, the San Francisco Bay Area, greater Los Angeles and Chicago.

CHART 3 | PG.5

Lower homes prices and rents allow Houstonians more options about where and how to live. “There are a lot of people who come here for jobs but don’t want to live, at least not yet, in The Woodlands,” notes architect Cisneros. “We 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 other city in America. The lack of zoning allows us not only to do neat things but do them quickly and for less money.”





In neighborhoods such as Midtown, he notes, ease of development has sparked the creation of a naturally occurring—and largely unsubsidized—district with numerous restaurants, bars and shops within walking distance of apartments occupied largely by young professionals. Industrial lofts and old houses are quickly converted to attractive apartments, townhouses and townhomes. But the important principle, he notes, is not creating one particular result, but in Houston’s secret sauce: respect for consumer choice.

Home buyers who want a more regulated and predictable environment, notes Woodlands President Tim Welbes, can find it in the region’s numerous planned communities. Houston leads the nation in such communities with eight of the 20 top-selling in the nation, aided by the availability of large tracts of undeveloped land.

## Should Houston Aspire to be Portland or Boston?

Despite these successes, some, even within Houston, suggest that the metropolitan area should adopt a more restrictive planning such as in New York, San Francisco, Boston and Portland. The 2007 document “Urban Corridors Planning” developed by consultants for the city of Houston suggested shifting from the current flexible approach to one that favors “smart growth” polices that would mandate high-density, transit-oriented development within the urban area. This would gradually reduce the much detested—by planners anyway—“suburban development pattern” that characterizes much of Houston.<sup>24</sup>

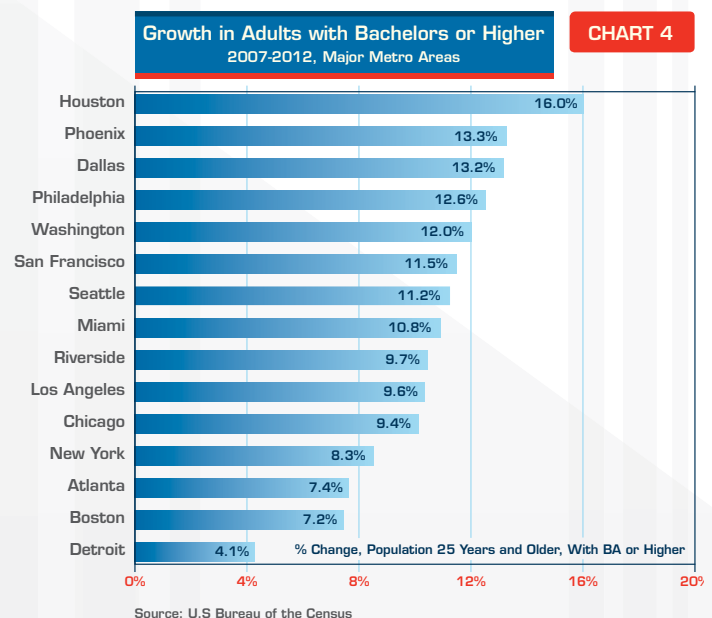
The assumption here is that the city needs to get much denser and focus more on traditional mass transit in part to attract young professionals and high-end businesses. This perception is sometimes promoted by questionable methodology, for example, asking people whether they would take a smaller house close to employment as opposed to a larger one farther from work. They are not asked whether their choice is a house, or an apartment, and the factor of cost of housing is left out. A house in an area such as West University<sup>25</sup> may be preferable to many who work within the 610 loop, but at an average price of \$1.3 million may be far too expensive even for upper middle class families.<sup>26</sup>

It also appears some of the metropolitan area’s retro-urbanists seem a bit misinformed.<sup>27</sup> Indeed, in our analysis of migration trends below, Houston has increased its number of college-educated people far more quickly than the elite city “models” cited above and has added a larger percentage of residents with four-year college degrees and above over the past five years. **CHART 4 | PG. 6**

## Why Smart Growth is not the way for Houston—or other opportunity cities.

The theory of smart growth is beguiling, at least initially. After all, who wants to support “stupid” growth? Yet in practice the way such policies are imposed can have distinctly negative effects, particularly to the aspirations of middle- and working-class families.

Essentially “smart growth” or urban containment policies shift development policies away from consumer preference and towards greater reliance on government mandates. Such policies elevate particular urban forms over others, generally without consideration of the impact on housing costs and the standard of living. It seeks to curb “sprawl” by limiting options for suburban building and instead foster dense, urban “in fill.” The only suburban development allowed under such regimes are closely tied to transit lines and dense enough to be seen as “sustainable.”



Smart growth regimes operate through such policies as building moratoria or containment boundaries, generally called urban growth boundaries, outside of which development is not generally permitted. These policies are often promoted as being more environmentally sustainable. Yet research indicated that we can achieve many of our environmental goals within the context of market demands, and can do so at a far lower cost. **BOX 2 | PG. 7**

Smart growth's biggest failing revolves around economics. Restricting choices for individuals and families tends to raise the price of housing <sup>28</sup> far above what median income families can comfortably afford. Historically, housing policies were largely consumer-driven and prices remained relatively equal between regions once adjusted for income. But now, due largely to regulatory pressures, home prices have soared far above income growth in certain regions, particularly in California. Houston and other opportunity cities have managed to contain regulatory expansion and have generally managed to keep housing prices near the historic relationship with incomes. **CHART 5 | PG. 8**

## SUSTAINABLE OPPORTUNITY URBANISM

**BOX 2**

Despite urban planning perceptions to the contrary, it would be a mistake to assume that the Houston model is less environmentally sustainable than the model being adopted in legacy cities and coastal California.

Perhaps surprisingly, the Texas cities produce little more in carbon dioxide from transportation than the cities of coastal California, despite their higher urban densities, milder climate and claimed shorter trip lengths. Data from the Annual Mobility Report of the Texas Transportation Institute (TTI),<sup>29</sup> highway transportation in the four large Texas cities contributes only six percent more in carbon dioxide (the principal greenhouse gas, or GHG) than the four coastal California cities, despite their superior environmental reputation.

Moreover, according to US Department of Energy projections, the adopted federal fuel efficiency standards will reduce carbon dioxide emissions per capita from light vehicles (cars and light trucks) 37 per cent between 2015 and 2040 (a 25 percent overall reduction). This is six times the negligible difference in the TTI data. The two fuel economy improvement regulations adopted since 2008, would remove GHG emissions at minus \$240 to minus \$300 per tonne, according to the Environmental Protection Agency.<sup>30</sup>

Similarly, the high housing expenditures typical of legacy model cities are well above any reasonable cost per tonne metric.<sup>31</sup> There is an increasing recognition that smart growth strategies are not an effective means for reducing GHG emissions.<sup>32</sup> Indeed, their great expense can be a threat to the standard of living. This is already evident, especially in coastal California, where the dream of home ownership is beyond many young and minority households.

William Fischel, an economist at Dartmouth University, has demonstrated that the stringency of land use regulation explains much of the growing divergence between California and the rest of the nation in home prices relative to income. He notes that the state’s population growth was actually lower after 1970 than it was before, and that the locational advantages of California relative to the rest of the nation was no better after 1970 than it had been before 1970.<sup>33</sup>

Looking more broadly across the country, Brookings Institution economist Anthony Downs has found that the housing affordability problem is rooted in the failure to maintain a “competitive land supply.” Downs finds that policies such as urban growth boundaries convey monopolistic pricing power on sellers of land. If sufficient supply is not available, which, all things being equal, is likely to raise the price of land and housing that is built on it.<sup>34</sup>

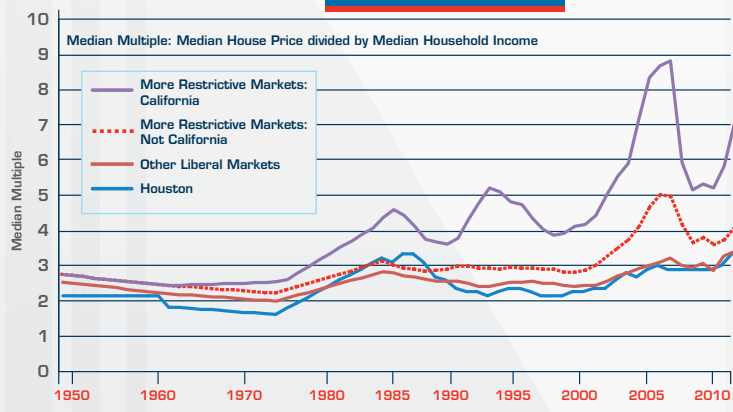
States such as in Florida and Maryland, which also imposed growth boundaries and other regulations, saw similar, if less spectacular increases in home values relative to incomes during the housing boom. Not surprisingly, just 11 metropolitan areas (sometimes referred to as “ground zero” markets because of the extent of their losses), all with strong land regulation, accounted for 73 percent of the aggregate loss in home values that occurred from the peak of the housing bubble to the beginning of the financial crisis in September of 2008.<sup>35</sup>

At the same time, the 21 liberally regulated housing markets, including Houston, Dallas–Fort Worth, and Atlanta, retained their historic housing affordability and accounted for only six percent of the pre-Lehman Brothers (September 2008) losses. In these metropolitan areas (the three fastest growing among metros with more than five million in population in the developed world), prices rose, but nowhere near the escalation that occurred in areas with more restrictive land use policy.

In some cases, the case for restrictive planning processes rests on the notion that most people no longer seek single-family houses. Yet there is little evidence of this change in consumer preference. Opinion surveys, including those sponsored by the National Association of Realtors and Smart Growth America, suggest that most people, roughly eighty percent of those polled, prefer a single-family home to either an apartment or townhouse.<sup>36</sup> Only eight percent would prefer to live in an apartment. This flies in the face of a “commodity” view held by some urban planners that high-rise condominiums are an acceptable substitute for the single-family dwelling most households prefer.

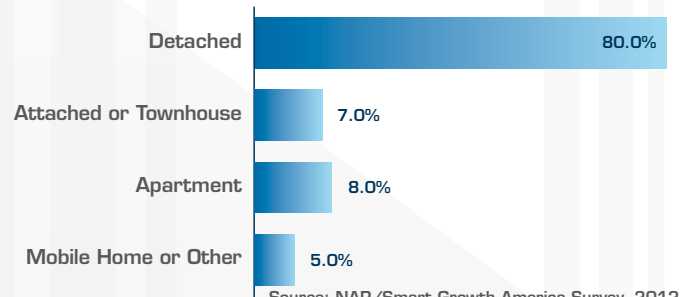
CHART 6 | PG. 8

**CHART 5** Housing Affordability 1950-2013 Major U.S. Metropolitan Areas



Source: 1950-1970: From Census Bureau; 1980-2009: From Harvard University; 2010: From Demographia; Annual Data Begins at 1980

**CHART 6** Consumer Housing Preferences



Source: NAR/Smart Growth America Survey, 2012

## Unintended Costs of “Smart Growth”

The biggest clear result of “smart growth” is higher housing prices compared to incomes. Due to high home prices, the median income household cannot even qualify for a mortgage on a house in any of the large California cities other than Sacramento. In Houston, the median-income household can comfortably qualify for a loan on the median-priced house.<sup>37</sup> **CHART 7 | PG.10**

Such high prices make it difficult even for highly skilled and educated workers to afford a home in California. According to an analysis for Orange County for National Core, a non-profit housing developer, even a biomedical engineer or a nurse earning a typical salary for their occupation does not earn enough to buy a house there in Orange County, CA. As economist Claude Gruen has suggested, more restrictive land use regulation “. . . is to the middle class what the economic disaster of slum clearance was to the poor.”<sup>38</sup>

**CHART 8 | PG.10**

## The Biggest Losers: Young Families, the Poor and Minorities

Young families, as well as minority, poor and working class residents are also directly impacted by these regulations. These tend to be first-time buyers and the high prices in highly regulated markets greatly constrain their ability to buy or rent property at a reasonable cost.

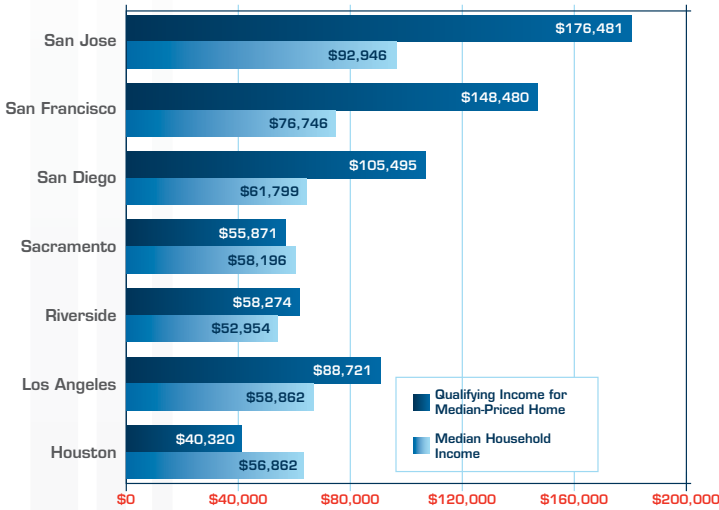
These higher costs are a significant deterrent to the aspirations of Hispanic<sup>39</sup> and African-American households wishing to own their own homes.<sup>40</sup> In contrast, Houston has some of the most affordable housing in the nation, including for African-Americans and Hispanics. The average minority household in the Houston metropolitan area enjoys a median multiple (income divided by housing price) five times lower than the San Francisco area and three times lower than what they would have to pay in New York or Boston.

**CHART 9,10 | PG.10**

The higher costs of “smart growth” regulations also fall on poor people, who are mostly renters, who must absorb higher housing prices in regulated markets. According to the Housing Policy and National Housing Conference some 20.1 percent of Houston households spend more than 50 percent of their incomes on housing and are considered to have a “severe housing” burden. This is less than average and ranks third best among the top 15 metropolitan areas. By comparison, Miami reaches a 38.5 percent figure, Los Angeles 37.7 percent and New York 34.7 percent and San Francisco 29.2 percent.<sup>41</sup> **CHART 11 | PG.10**

CHART 7

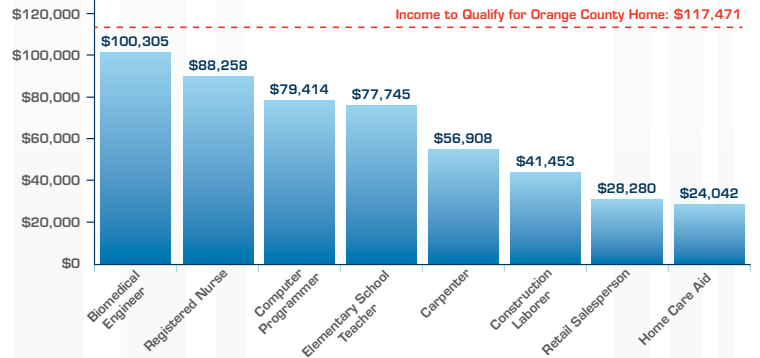
Median Income vs. Income Needed to Qualify for a Median-Priced Home in Selected Markets - 2014



Source: Author calculations based on U.S. Census Bureau and National Association of Realtors Data

CHART 8

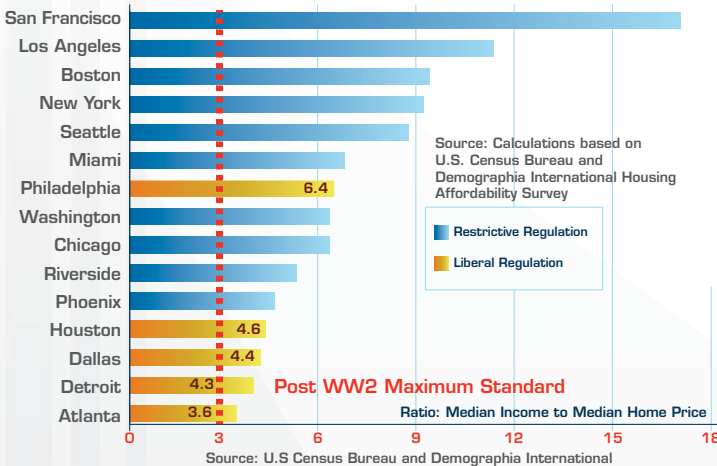
Typical Wages & Income Required to Qualify for a Home in Orange County



Qualifying income (with 10% down payment) data from National Association of Realtors & actual wage data from California Employment Development Dept.

CHART 9

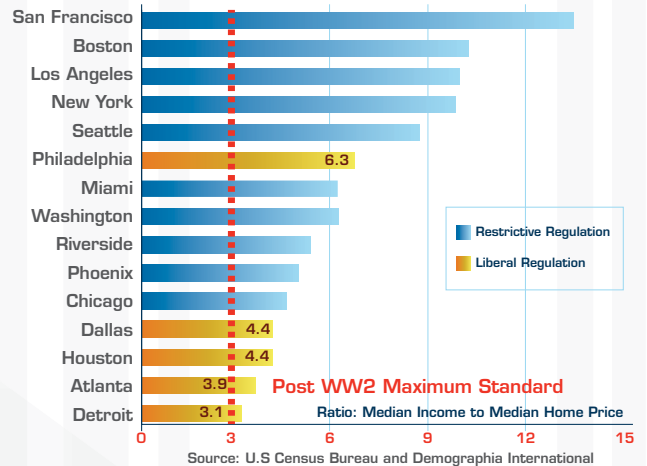
Housing Affordability for African-Americans  
Ratio of Median Income to Median Home Price, 2013



Source: U.S. Census Bureau and Demographia International

CHART 10

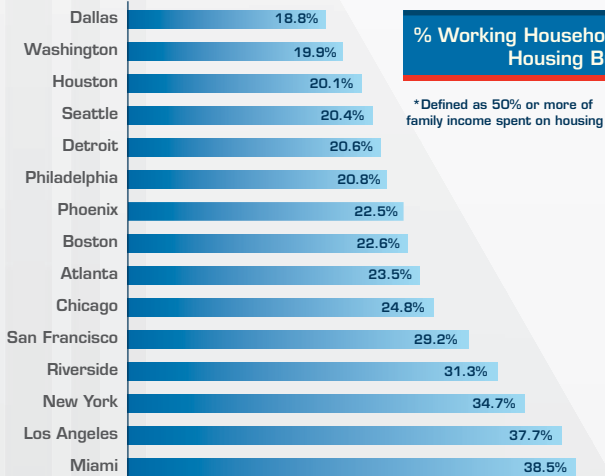
Housing Affordability for Hispanics  
Ratio of Median Income to Median Home Price, 2013



Source: U.S. Census Bureau and Demographia International

CHART 11

% Working Households With Severe Housing Burdens



Source: Housing Landscape 2014

**THE ECONOMICS OF OPPORTUNITY URBANISM**

Houston’s lower housing costs has helped strengthen the metropolitan area’s economy. The region’s growth has also been boosted by its location in Texas, a state widely hailed for its pro-business environment, lower taxes and lighter regulation.<sup>42</sup> But there are also aspects of the local economy that attract entrepreneurs and nurture the growth of grassroots business. A recent survey of small business owners by the San Francisco-based Thumbtack consultancy and the Kansas City-based Kauffman Foundation ranked Houston first among the 80 major metropolitan areas in terms of friendliness to small business. This ranking contrasted markedly with virtually all the top metropolitan areas in the country, and particularly such long-term rivals as New York, Los Angeles, Chicago, the San Francisco Bay Area and Boston.<sup>43</sup>

CHART 12 | PG. 11

CHART 12

Small Business Friendliness Rankings Top 10 Major Metropolitan Areas: 2014	
RANK	METROPOLITAN AREA
1	Houston
2	Austin
3	Louisville
4	Dallas
5	San Antonio
6	Nashville
7	Richmond
8	Minneapolis-St. Paul
9	Salt Lake City
10	Orlando

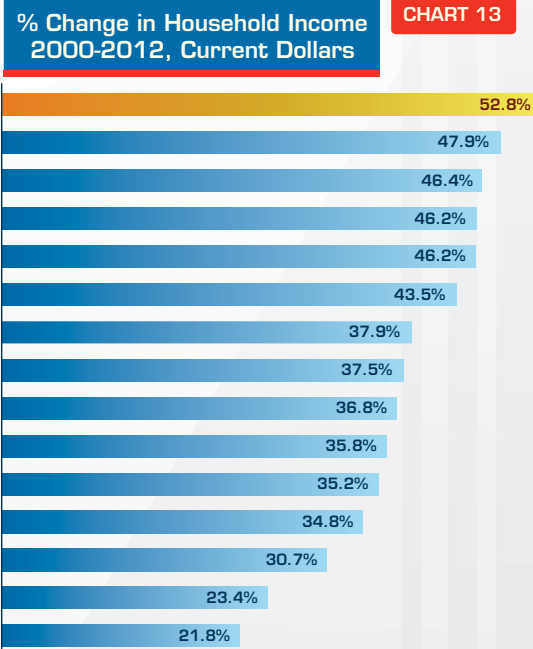
Source: Thumbtack.com and Kauffman Foundation

**An Economy on a Roll**

Houston’s ability to nurture both existing and new business has helped expand economic opportunity for its citizens. Personal household income has risen 20 percent since 2005 in Houston compared to 14 percent for New York, 11 percent for Los Angeles and less than 9 percent for Chicago. Indeed, Houston’s per capita income growth has consistently surpassed that of the nation since the late 1960s, notes former Federal Reserve economist Bill Gilmer, with the exception of the “energy bust” years of the early 1980s, which cost the region more than 220,000 jobs between 1982 and 1987.<sup>44</sup>

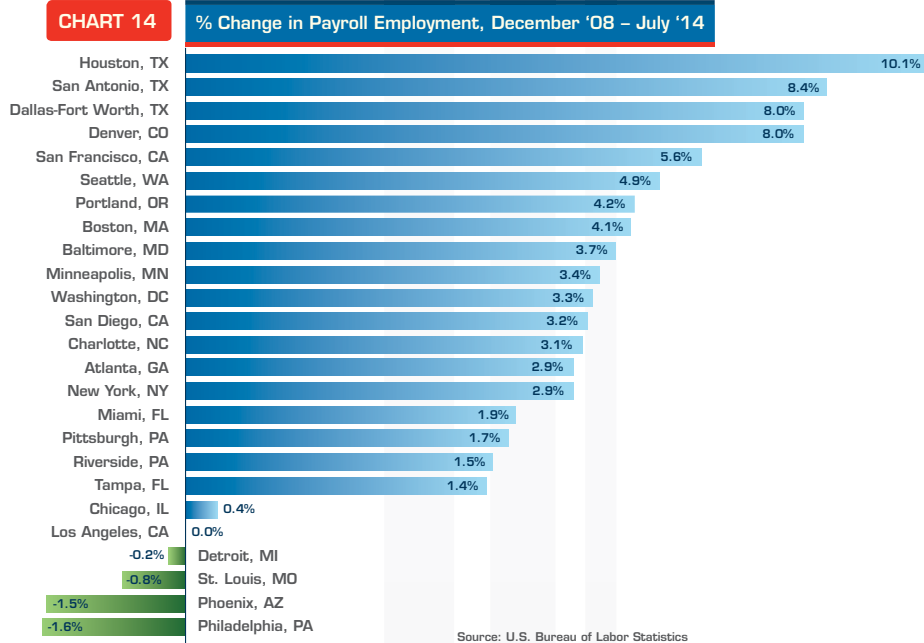
And contrary to assertions of being a low wage “race to the bottom” economy, Houston household income has grown faster since 2000 than virtually any of the country’s major metropolitan areas.<sup>45</sup> Greater Houston has outperformed not only “legacy” cities like New York, Chicago and Boston, which are renowned as centers for high-wage jobs, but other “opportunity regions” such as Atlanta, Dallas-Ft. Worth and Phoenix.

CHART 13 | PG. 11

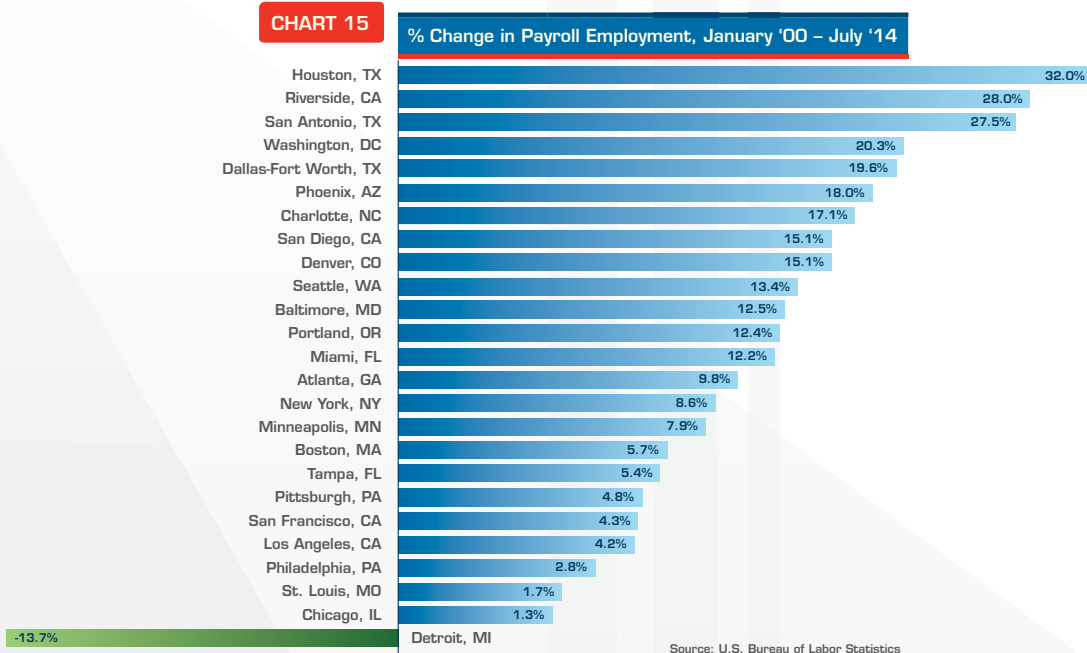


Source: U.S. Bureau of Economic Analysis

Houston’s job base overall has grown faster than virtually any large metropolitan region in the country over the past decade. Since December 2008, Houston has added 9.8 percent to its job base, the highest percentage of any top 25 metros in the country, followed by Dallas at 8.2 percent. In contrast, greater



New York is only up by 3.5 percent, Los Angeles, 1.2 percent, and Chicago, 0.9 percent. Employment in Philadelphia remains below its 2008 level. With the energy boom on and expanding trade as well as health care sectors, most economists expect this Houston’s growth trend to continue and even accelerate over the next year. **CHART 14 | PG.12**



More important has been the longer term trajectory. Since 2000 the number of jobs in Houston have grown by 692,000, a remarkable 31.6 percent increase, compared to Dallas-Ft. Worth with 19.8 percent growth. In contrast, New York has added 9.8 percent new jobs, Los Angeles 5.5 percent, and Chicago 1.8 percent. **CHART 15 | PG.12**

### Broad-Based Growth: The Key Element for Opportunity Urbanism

Opportunity urbanism hinges not simply on numbers of jobs, but what kind of jobs are being produced. Houston may remain a low-cost city, relative to places like New York, Los Angeles or San Francisco, but its economy is not primarily driven by low-end, low-wage jobs. Overall, Houston was among four metros—the others being Raleigh, Dallas-Fort Worth and Salt Lake City—out of 52 to experience 8 percent or more growth in high-wage jobs between 2009 and 2013.<sup>46</sup>

Some of this can be tied to the energy industry, which since 2001 has been directly responsible for an increase of 67,000 jobs. This has certainly driven much of the rapid growth in high-wage technical positions; indeed the region now boasts the second highest per capita population of engineers behind only San Jose/Silicon Valley.<sup>47</sup> Since 2001, Houston has experienced a 24.1 percent growth in STEM (Science-Technology-Engineering-Mathematics related skills) employment, compared to less than 5 percent growth in New York and San Francisco, while the New York, Los Angeles and Chicago areas actually lost such jobs. **CHART 16 | PG. 13**

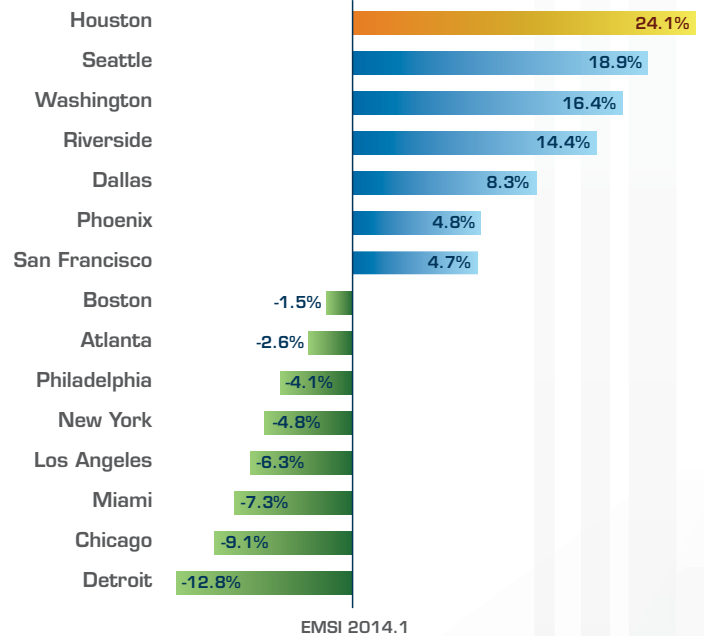
Perhaps even more important, Houston has seen a surge of well-paying middle-skills jobs (usually requiring a certificate or a two-year degree) in fields such as manufacturing, logistics and construction as well as energy. Since 2007, according to calculations derived from the U.S. Bureau of Labor Statistics, Houston led the 52 major metropolitan areas in the creation of such jobs at 6.6 percent growth; these jobs also paid over \$100,000 annually. In contrast, such generally higher-paid blue collar jobs have declined by more than ten percent in New York, Los Angeles, Chicago and San Francisco. **CHART 17 | PG. 13**

### The Role of the Energy Sector

The energy sector’s recent growth has also paced Houston’s emergence as a corporate center, now third to New York and Chicago in Fortune 500 headquarters.<sup>48</sup> Much of this has to do with the decision by energy executives, after the “bust” of the early 1980s, to consolidate into Houston. Once widely derided as a “colony” of New York and California-based firms, the region has increasingly become the choice for American energy companies. In 1960, for

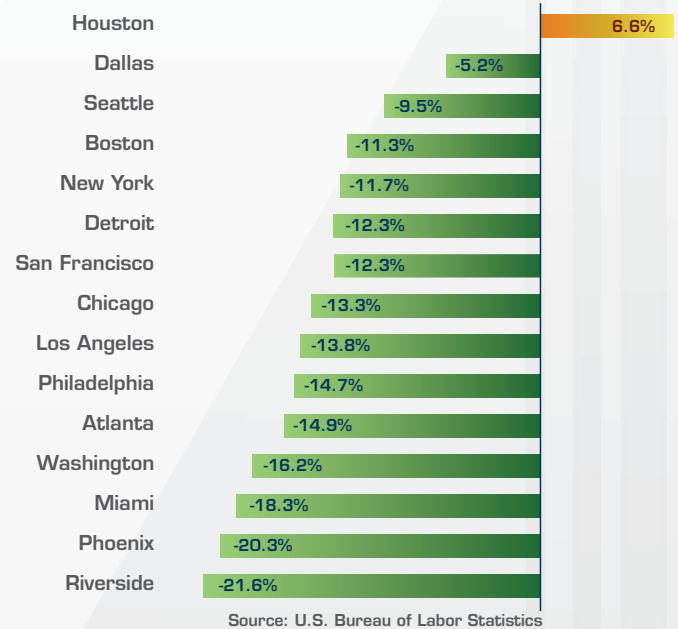
**CHART 16**

**STEM Employment Growth 2001-2013**



**CHART 17**

**Growth in High Value Blue Collar Employment, 2007-2013**





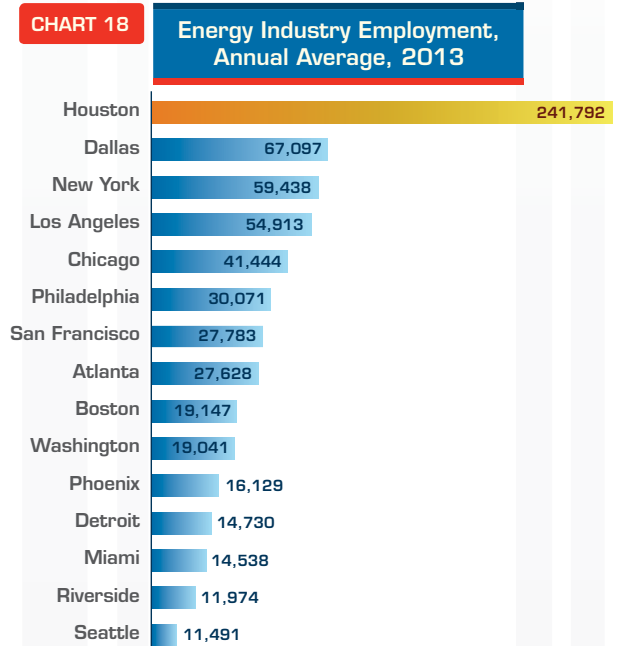
example, Houston was home to only one of the nation's top energy firms; by 2013, it was home to 22 from the Fortune 500, more than all other cities combined, and that doesn't include major non-HQ campuses for ExxonMobil, Shell, Chevron, and BP. It easily leads all U.S. cities in energy employment, well over three times as many jobs as second place Dallas-Ft. Worth and third place New York. The numbers just got bigger this spring when Los Angeles's last major energy firm (there were once four), Occidental Petroleum, announced plans to move to Houston's Greenway Plaza, near the famed Galleria.<sup>49</sup> **CHART 18 | PG. 14**

Such giant firms represent only part of the energy industry. There have always been a plethora of smaller, support service firms. Many of them have been critical to the industry's technological revolution—largely born and nurtured in Houston—that has so dramatically changed the dynamics of the nation's energy industry. “Oil and gas used to feel old but that's changing,” suggests Samina Farid, co-founder of Merrick Systems, a 25-year-old oil service 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.”

This energy growth is likely to continue, given the explosion of new production for U.S. oil and gas fields, as well as continuing instability and political risk in traditional petroleum centers in the Middle East, Russia and Venezuela. According to economist Bill Gilmer, major international firms have announced plans to add something close to \$25 to \$40 billion in petrochemical facilities in the region.

## Energy's Long Economic Reach

The impact of an expanding energy sector ripples through the Houston economy. It can be clearly seen in the growth of the Port of Houston, connected by the 50-mile ship channel to the Gulf of Mexico. The port is now the nation's largest export hub, feeding in large part off the energy revolution and growing trade with Latin America. Mexico, Brazil and Venezuela are by far the port's largest trading partners.



Source: EMSI 2014.1

Houston's port business has grown almost fourfold since 2000, far faster than either New York or Los Angeles; overall trade volumes are up 237 percent since 2000 compared to 81 percent for Los Angeles region and 60 percent for New York. Port officials estimated the international trade sector—where jobs tend to pay more than in other fields—to be the source of almost \$500 billion in economic activity and over one million jobs throughout Texas.<sup>50</sup>

**CHART 19 | PG. 15**

### The Chicago of this Era

Energy and trade growth also is sparking a manufacturing boom in the Houston area. “Houston is the Chicago of this era—like the old Chicago,” remarks David Peebles, who runs the Texas office of Odebrecht, a \$45 billion engineering firm based in Brazil. “In the sixties you had to go to Chicago, Cleveland and Detroit. Now Houston is the place for new industry.”

Like logistics and energy, manufacturing wages tend to be higher than those in service fields. Indeed, in a recent survey of 52 large metropolitan areas conducted for Forbes magazine, since 2009 Houston ranked first in creating manufacturing jobs—another source of high-wage middle class growth.

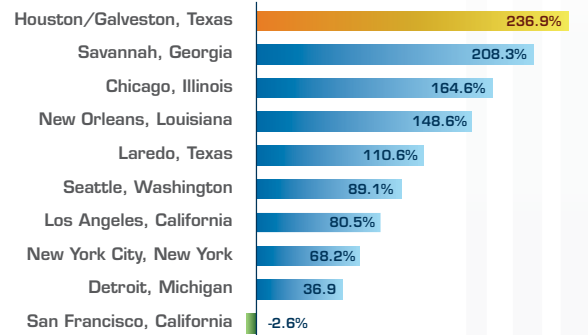
**CHART 20 | PG. 15**

### The Grassroots Economy

Although much attention is paid to the movement of large corporations, Houston's economic growth increasingly stems from the grassroots. The same business-friendly, consumer-oriented culture that attracts large companies and foreign investors also facilitates entrepreneurial development. The region was one of only three of 938 metropolitan areas to add small businesses throughout even the worst of the recession, according to the U.S. Small Business Administration.<sup>51</sup> Between 2008 and 2011, notes Economic Modeling Specialists Inc., Houston led the nation in the growth of sole proprietorships, a 12.8 percent gain, roughly three times the growth of New York, Los Angeles, San Francisco or San Diego.<sup>52</sup>

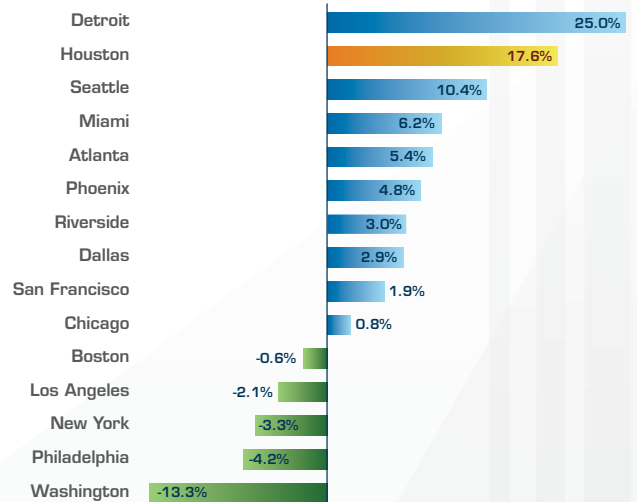
**CHART 21 | PG. 15**

**CHART 19** Change in Value of Total Trade 2000-2013



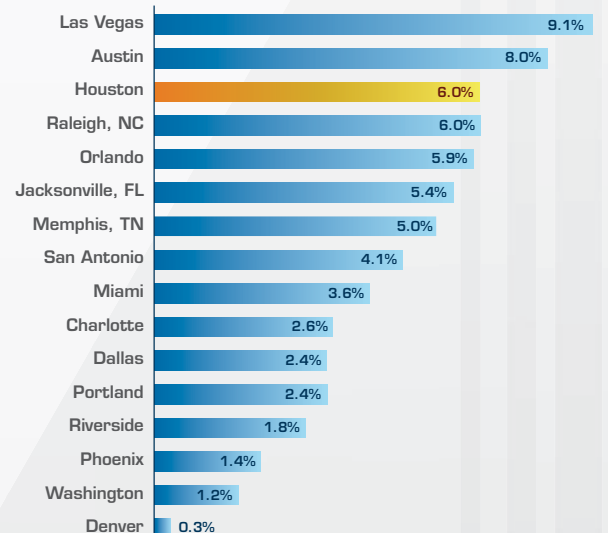
Source: U.S. Census Bureau, Foreign Trade Division

**CHART 20** Change in Manufacturing Employment, 2010-2014



Source: U.S. Bureau of Labor Statistics

**CHART 21** Fastest Growing Regions for the Full-time Self-employed 2008-2011



Source: U.S. Census Bureau

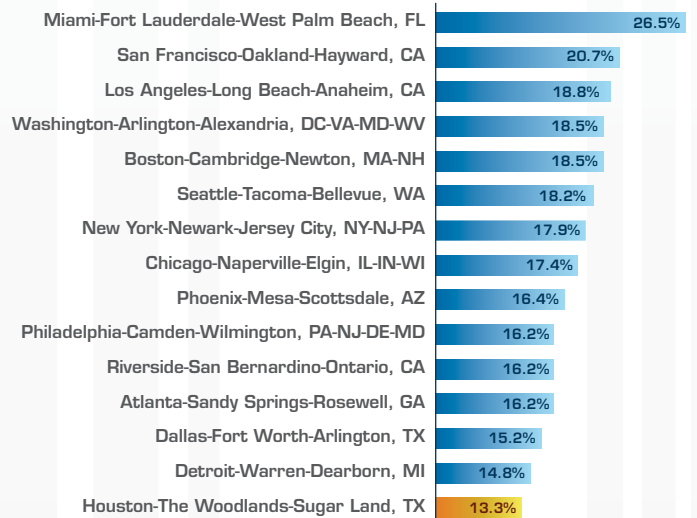
One place Houston does not perform well, in contrast, is as a preferred locale for those who live on investments, a segment that benefited from the stock and property inflation during this asset-inflated era of ultra-low interest rates and cheap money. Areas such as southern Florida, New York, San Francisco and Boston derive more of their GDP from dividends, rents and interest than does Houston; this is particularly true of affluent places like Manhattan, nearby suburbs such as Westchester and Nassau counties, as well as Mateo County a wealthy Bay Area suburb between San Francisco and Palo Alto—In contrast, Houston’s income share from assets—some 13 percent—is close to the lowest of any large metro area and well below the over 18 percent nationally. Houston remains, first and foremost, a city of people who actually work for a living. **CHART 22 | PG. 16**

### Upward Mobility, Poverty and Equality

As a city that appeals to many immigrants and offers opportunities for a broad range of people, Houston is not immune to the crisis of inequality, particularly given its appeal to workers from impoverished parts of Latin America. But despite this, since 2006 the region’s poverty rate has increased far less than most metros—including all large urban regions outside of Washington, DC. **.53 CHART 23 | PG. 16**

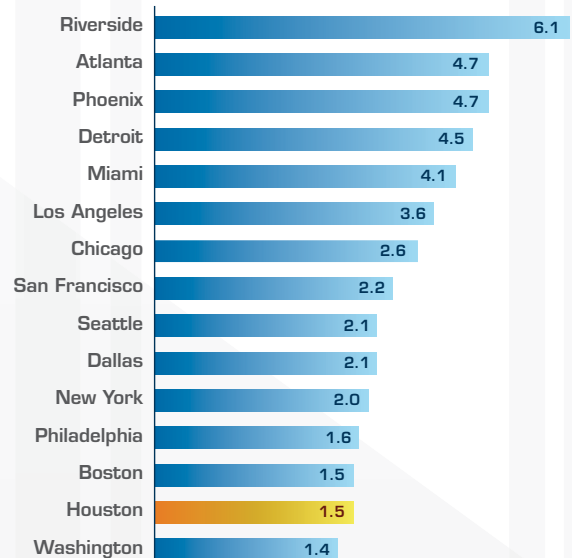
Gaps in income between races remain high in every city, but they are somewhat less extreme in Houston, reflecting the buoyancy and diversity of its economy. In contrast, as an Urban League study has pointed out, the very tightly regulated, high-tax cities most praised as exemplars of urban revival—San Francisco, Chicago and Minneapolis-St. Paul—also suffer the largest gaps between black and white incomes. **54**

**CHART 22** Share of Income from Interest, Dividends, and Rent, 2012



Source: Bureau of Economic Analysis

**CHART 23** Change in Poverty Rate Percentage Point Change, 2006-2012



Source: U.S. Census, U.S. Census American Community Survey



Many of these cities are increasingly monotonic “white cities” with relatively low, and falling, minority populations.<sup>55</sup> San Francisco, Portland and Seattle, achingly politically correct in theory, are actually becoming whiter and less ethnically diverse as the rest of the country diversifies.<sup>56</sup> This may be reflected somewhat in the wider gaps in the earnings of minority as opposed to Anglo residents. **CHART 24 | PG.18**

As with African-Americans, the biggest gaps between Latino and white incomes almost entirely fall in the luxury model cities such as Boston, New York and San Francisco. In contrast, cities such as Houston and Dallas, evidence less extreme gaps. **CHART 25 | PG.18**

One key factor for upward mobility historically has been home ownership. Americans develop assets—usually about two-thirds of a family’s wealth—through home ownership. Yet in many other metropolitan areas today, policies designed to preserve the “quality of life” of those who already own homes often come at a cost to historically disadvantaged minorities. African-American and Latino homeownership rates are considerably higher in Houston than all the luxury regions, and often by a wide margin. **CHART 26 | PG.18**

“In places like the Bay Area there’s a natural tendency to pull the ladder up to preserve people’s lifestyles,” suggests Houston construction executive Leo Linbeck, III, who also teaches at Stanford. “Here we like to keep the ladder available for people. This is part of our wildcatter past because you always want the ladder there because you could always fall down again.”

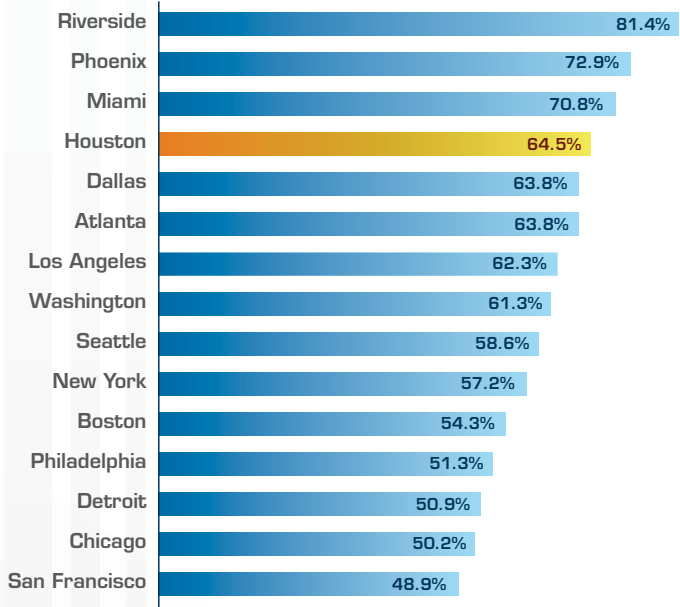
## Minority Uplift and Houston’s Future

“The future of Houston,” notes Steve Murdock, Rice University Sociology Professor and former Director of the U.S. Bureau of the Census “is how well minorities are going to do.” He laments the fact that Latinos, in particular, may be falling behind in their share of higher paying jobs. He worries about “economic closure” that may keep Latinos and African-Americans from sharing in and contributing to regional and state prosperity.<sup>57</sup>

Yet Murdock remains confident about the future, in large part because most minorities in Houston share the basic culture of faith in hard work as a means of upward mobility. According to Rice University’s Houston Area Survey, 85 percent of Houston—as well as 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, these sentiments are shared by only sixty percent of those surveyed.<sup>58</sup>

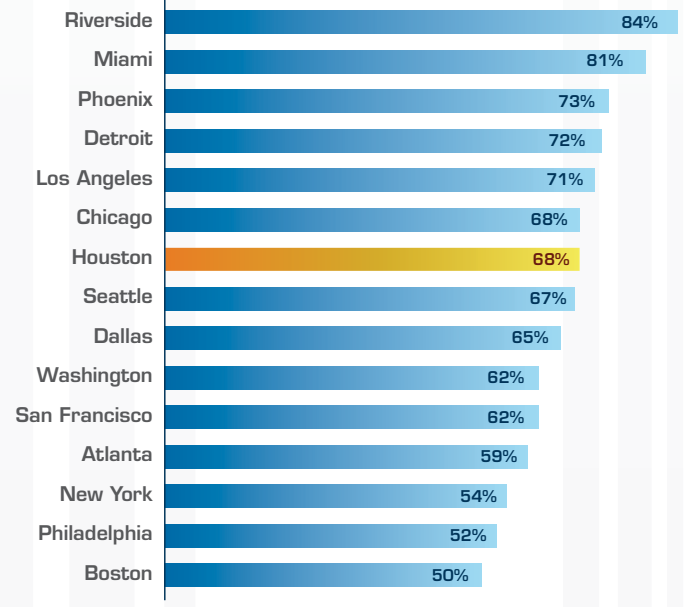
Marcus Davis, who grew up in the hardscrabble Fifth Ward, says the growth is simply part of the Houstonian ethos. “This place is pure opportunity, including for African-Americans,” he said at his highly successful, and usually crowded, The Breakfast Klub, just outside downtown. His customer base includes not only African-Americans but 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.”

**CHART 24** Income Gap: Ratio of Black Median Household Income to White Median Household Income, 2012



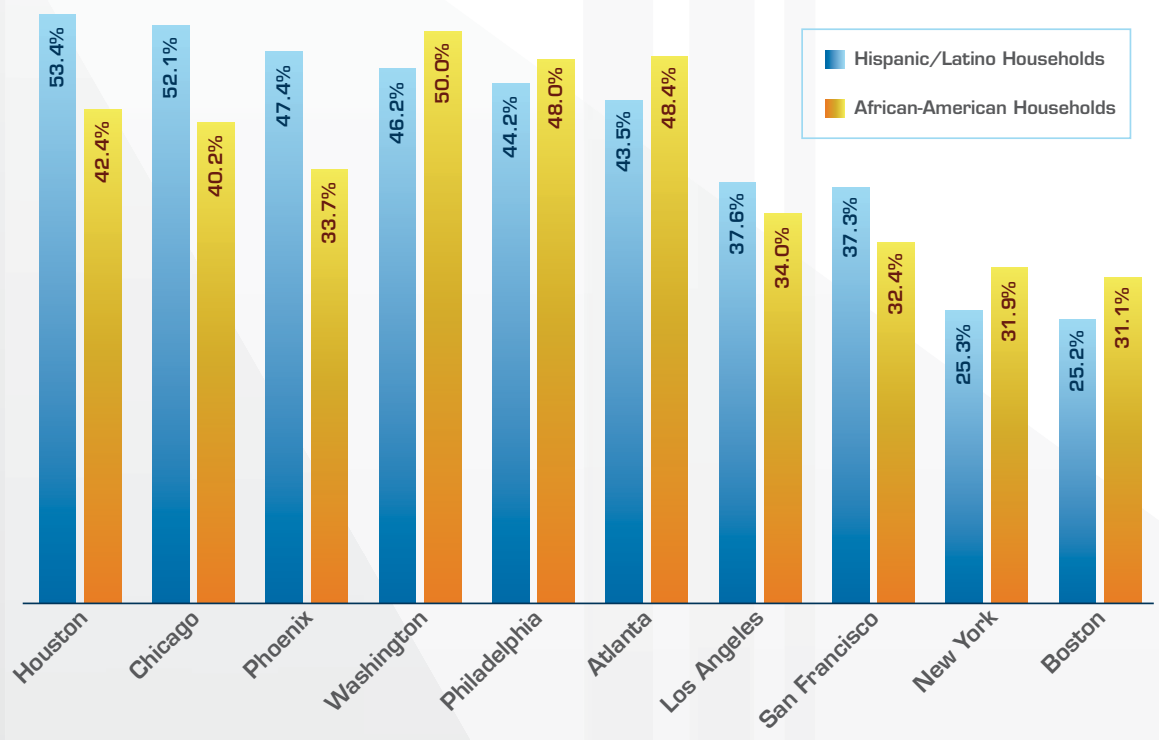
Source: U.S. Census American Community Survey

**CHART 25** Income Gap: Ratio of Hispanic Median Household Income to White Median Household Income, 2012



Source: U.S. Census American Community Survey

**CHART 26** Home Ownership Rate, 2012



Source: U.S. Census Bureau

## VOTING WITH THEIR FEET

### Houston Demonstrates the Demographic Appeal of Opportunity Urbanism

Planners and urban theorists frequently insist that cultural amenities, mass transit and higher density constitute the key to urban success. But planners and theorists ultimately do not shape the urban future, people do.

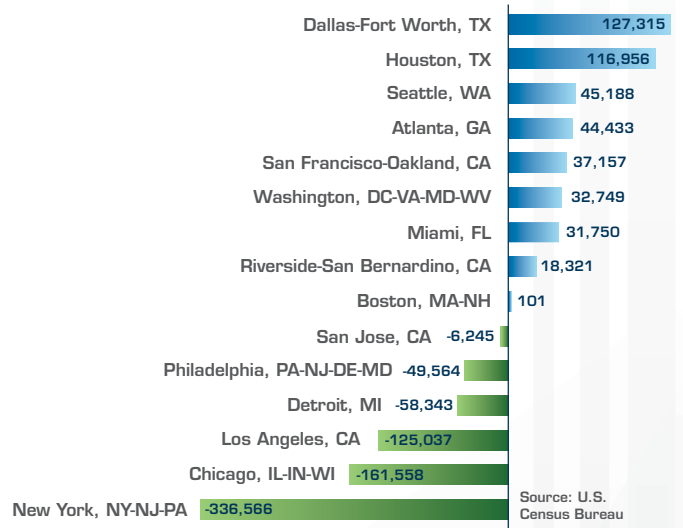
Amenities and good transit may be important, but attempts to force people to live in smaller, denser housing often backfire, and lead people to migrate to other regions. As Edmund Burke observed, largely because of the continental scale of the U.S.: “If you drive the people from one place, they will simply move themselves to another.” <sup>59</sup>

#### Reshaping America’s Urban Landscape.

In America today, the general trend is that people migrate from more expensive, usually more heavily regulated and taxed areas to those that are less so. Since 2000 roughly three quarters of a million net domestic migrants have relocated to either Houston and Dallas while roughly 3.5 million left New York and Los Angeles. Since 2010, Dallas-Fort Worth attracted the highest net domestic migration among the largest metropolitan areas. Over the past two years (2011-2013), however, Houston has had the highest net domestic migration. **CHART 27 | PG.19**

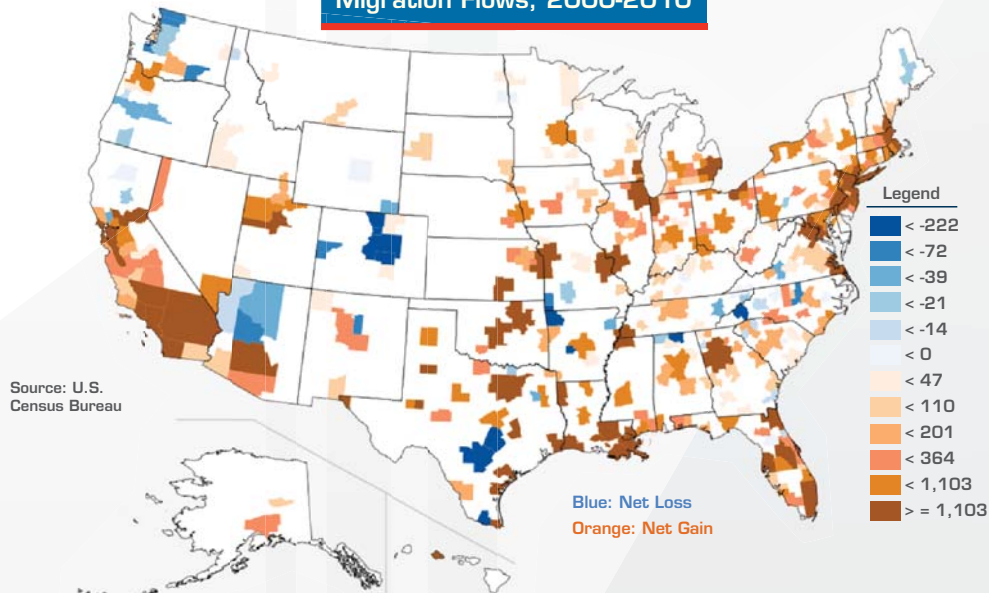
CHART 27

Net Domestic Migration, 2010-2013  
15 Most Populous Metro Areas



MAP 2

Houston Net Domestic Migration Flows, 2000-2010



Historically, Houston depended on migrants from rural areas and the rest of south. But Houston now draws a growing number of newcomers from dense and expensive regions- greater New York, the Bay Area, metropolitan Boston Chicago and greater Los Angeles, suggesting a new paradigm in migration patterns.

MAP 2 | PG.19

This is all part of a movement reshaping America's urban landscape. Between 2000 and 2013, metro Houston's population expanded by some 35 percent and Dallas-Ft. Worth's by nearly 30 percent. In contrast, New York, Los Angeles, Boston, Philadelphia and Chicago grew by a paltry 4 to 7 percent.

CHART 28 | PG.20

Home prices—and the possibility of home ownership—seem to be one of the determinants of this movement. An analysis of the major metropolitan counties gaining net migrants exhibit an average homeownership rate of 71 percent, while the counties losing migrants has an ownership rate of 58 percent. The key here is lower housing costs relative to incomes. Overall, higher priced areas tend to lose residents to those with lower prices.

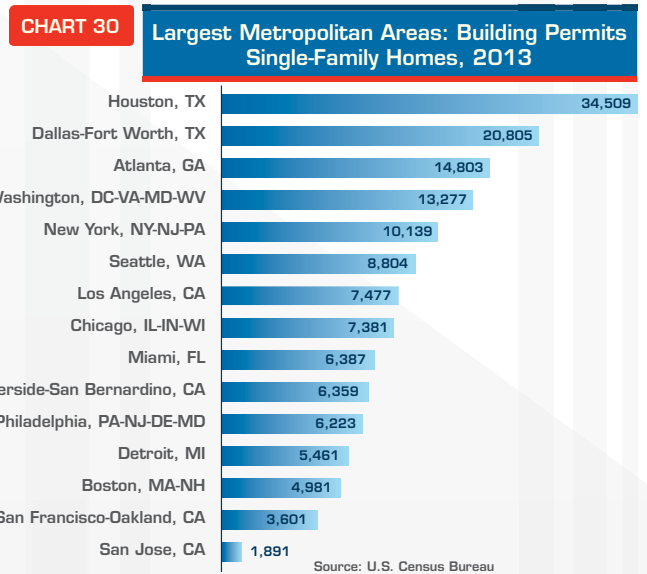
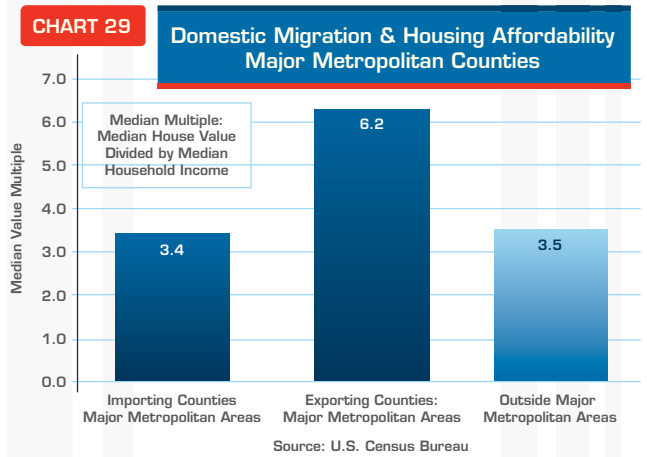
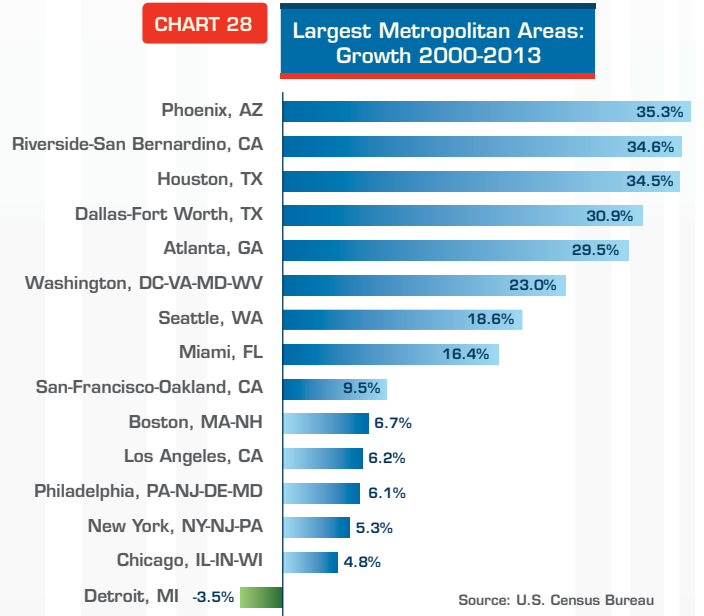
CHART 29 | PG.20

Nationwide, close to sixty percent of all new housing permits are for single family dwellings, and given the opposition to such housing in many “legacy” regions, most of the growth in housing stock will occur in opportunity cities. In 2013, Houston alone had nearly as many single-family housing starts than the entire state of California, 250 percent more than New York and 500 percent more than Los Angeles, both of which are much larger metros.<sup>60</sup>

CHART 30 | PG.20

Ultimately, people move not only towards affordable areas but also to those places where they can purchase their preferred product, a single-family house. “We are building communities where school teachers and fire-fighters can live,” notes Walter Ted Nelson, President of the Central Region for Newland, a major San Diego-based developer, who has worked on many of the area’s new planned communities. “In Houston we still are able to create a nice product for the middle range of incomes.”

Looking forward, we can expect these preferences and costs will continue to shape domestic migration. Between 2012 and 2013, the ten fastest-growing major metro areas in America were in all the Sunbelt, with the exception of Denver. They include Austin,



Houston, San Antonio, Orlando, Raleigh, Oklahoma City, Phoenix, Nashville and Charlotte (Dallas-Fort Worth placed 12th). The strength of opportunity cities is illustrated by the most recent growth among the top 15 metropolitan areas. Houston ranked number one, while the luxury cities generally ranked much lower.

**CHART 31 | PG.21**

In the future, these trends are expected to accelerate. A recent U.S. Council of Mayors study predicts the urban order in America will become ever more Texan, with Dallas-Ft. Worth and Houston growing to nearly as large as Chicago by 2042. If the same growth rate were to continue through 2050, both Dallas-Fort Worth and Houston would be ahead of Chicago.<sup>61</sup>

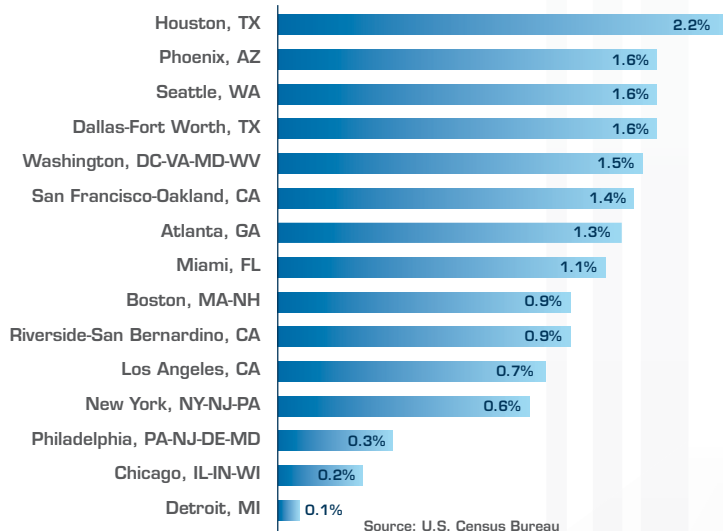
**CHART 32 | PG.21**

### The Young and Restless

It is often asserted, both in Houston and nationally, that young people require a dense, “vibrant” urban community and have little interest in living in less dense communities, even as they age. Retro-urbanist theorists such as Peter Katz have maintained that Millennials (the generation born after 1983) won’t likely be “returning to the cul-de-sacs of their teenage years.”<sup>62</sup>

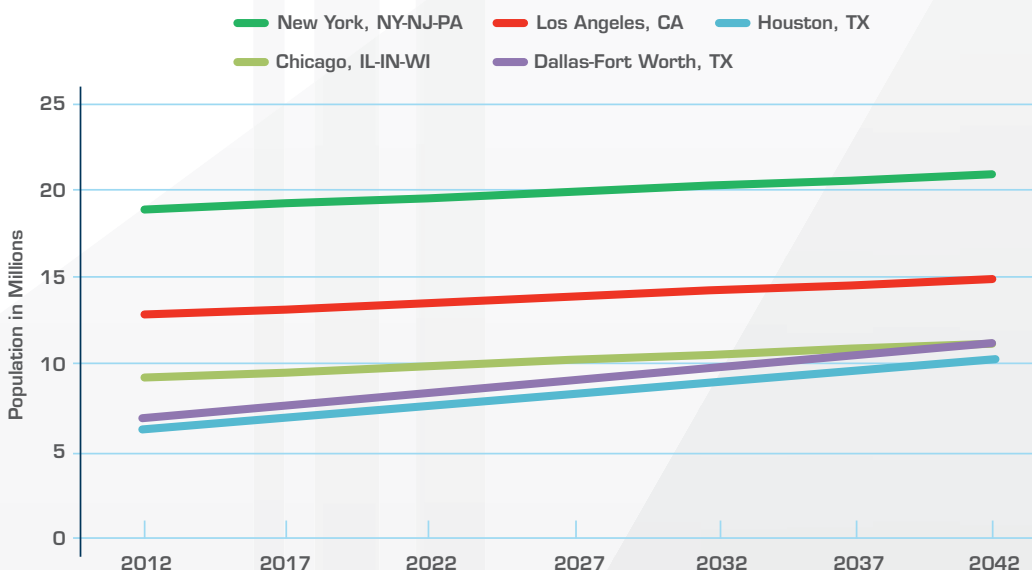
**CHART 31**

**Largest Metropolitan Areas: Population Growth, 2012-2013**



**CHART 32**

**Projected Population Growth, 2012-2042  
Top Five U.S. Metro Areas**



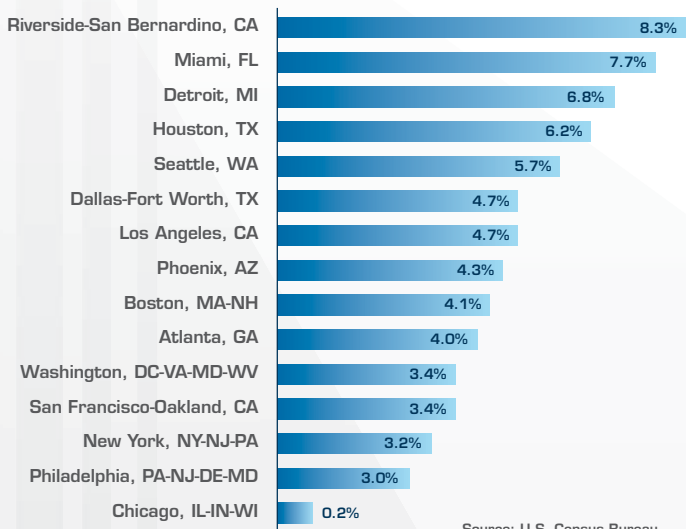


Yet these views vastly distort the reality of how millennials live now, and even more so how they themselves see the future. The environmental magazine Grist insists millennials will avoid what they label “sprawling car dependent cities”. Yet in reality the fastest growth among the fifteen largest metropolitans has taken place, with the notable exception of Seattle, in precisely these kinds of areas, including Houston. **CHART 33 | PG. 22**

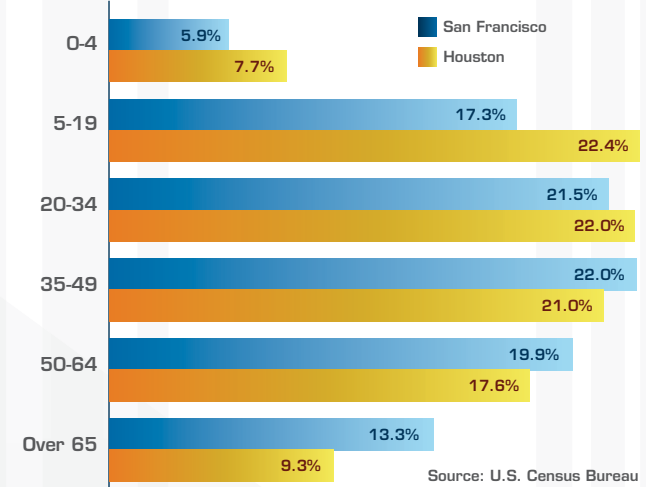
One way to understand the dynamics of urban demographics is by examining age cohorts. In an analysis done for Forbes that focused on migration by age, San Francisco does very well among those in their late teens and twenties. But people’s preferences change, particularly as they start to form families and have children. By the time we get into the 30 to 44 cohort, San Francisco’s increase drops to 30th out of 51 metropolitan areas. This cohort is particularly important, as households move toward their peak earning potential and become less likely to move as they get older. Houston and other opportunity cities appeal to this critical age group with Houston and San Antonio ranked in the top ten.

For example, San Francisco ranked 45th in the percentage of the population aged under 14 in 2012. Houston ranked 3rd in the share of children in the population, while San Antonio ranked 5th.<sup>63</sup> In contrast, San Francisco is heavily skewed toward 50s and over in relation to Houston. This is another indication of Houston’s attraction and livability for younger households and families, which results from both its economic opportunities and its lower costs. **CHART 34 | PG. 22**

**CHART 33** Age 20-29 Population Growth, 2010-2013  
15 Largest U.S. Metropolitan Areas



**CHART 34** Age Comparison, Houston vs. San Francisco, 2012



The aging of the millennials will pose very different challenges to regions in the coming decade. This population is expected to grow by almost five million between 2015 and 2025. **CHART 35 | PG. 23**

It is likely that in future decades, regions will scramble to capture this demographic as they reach middle age. Here the existence of affordable, attractive newer housing, largely in the suburbs, becomes a strategic advantage. Despite the broad assertions of urbanists about millennial attitudes about where they choose to live,<sup>64</sup> an analysis of age cohorts done for Forbes,

CHART 35

**U.S. Population, Ages 30-39 Millions**

Source: U.S. Census Bureau

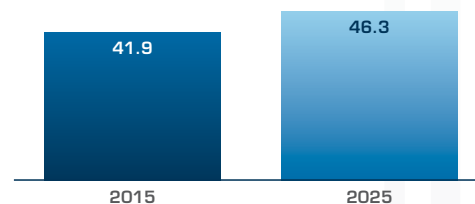
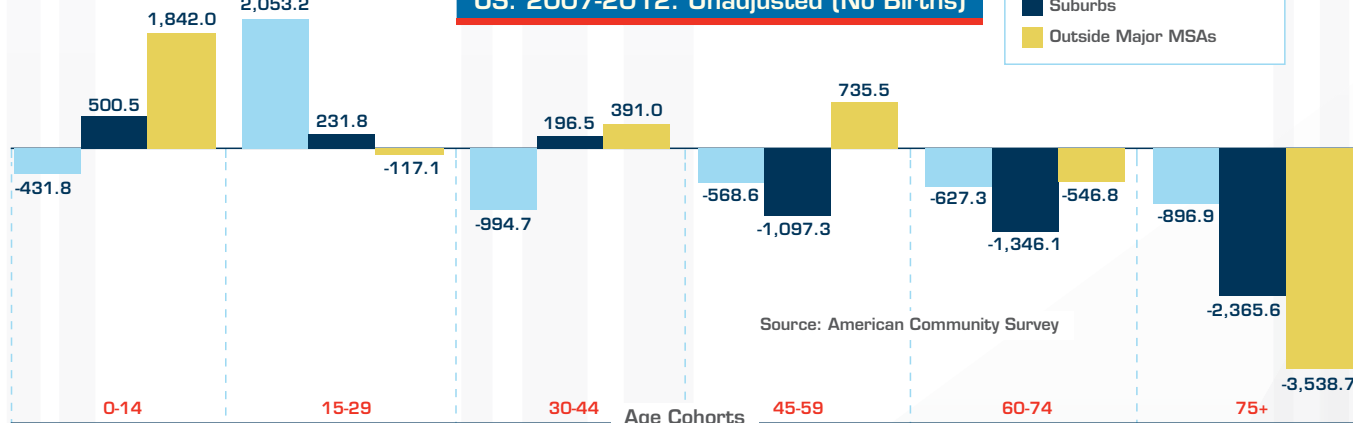


CHART 36

**Change in Population by Age Cohort US: 2007-2012: Unadjusted (No Births)**

Legend:

- Core Cities (Light Blue)
- Suburbs (Dark Blue)
- Outside Major MSAs (Yellow)



shows a distinct movement towards the periphery as people enter their 30s.<sup>65</sup> **CHART 36 | PG. 23**

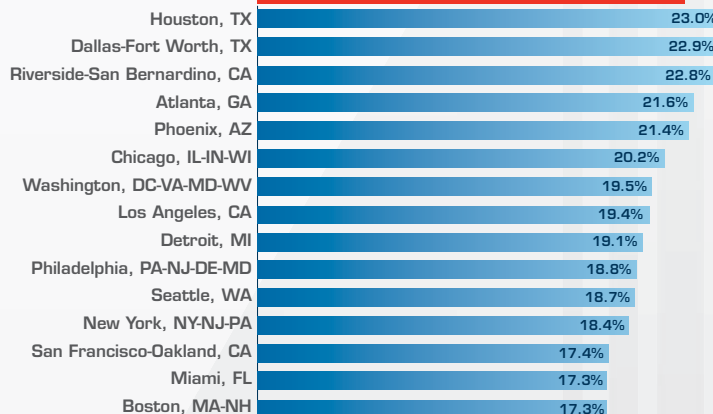
“Houston thrives because it has some place for young people to stay inside the core city but also offers an alternative when they get older,” notes Bill Gilmer, Director of the Institute for Regional Forecasting in the University of Houston’s Bauer College of Business. “Just because you grow up doesn’t mean you have to leave the metropolitan area.”

**Beyond the Post-Familial City**

Nearly four in five Millennials express a desire to have children.<sup>66</sup> This suggests that as they reach maturity and child-bearing ages, albeit later than their parents, Millennials will seek out affordable, family-friendly communities, largely in opportunity regions.

CHART 37

**% of Population Aged Under 14 Most Populous U.S. Metro Areas, 2012**



Unlike many urbanists, we do not think of the city as a post-familial construct necessarily limited to younger, primarily single populations, including unmarried couples.<sup>67</sup> While we do agree that these demographic groups need to be fully considered, we wonder why families could not receive the same attention in our urban development agendas.

Due to strong economies and low prices, Houston and other opportunity cities are well-positioned to attract the next generation of families. The region already boasts the largest percentage of residents aged under 14 among the larger metropolitan areas. **CHART 37 | PG.23**

Families with children matter in large part because they produce the next generation of consumers and workers and create the conditions for the growth of communities both economically and culturally. Since most young families do not have access to large amounts of inherited wealth, they will more likely go to raise their families in places where they can afford relatively spacious housing. **CHART 38 | PG.24**

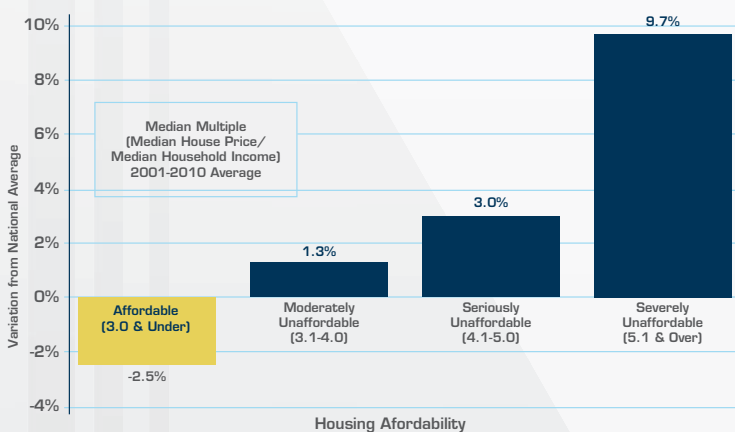
It seems unlikely such housing will be as available in the luxury cities and their environs. The generally expensive and dense urban cores so celebrated by retro-urbanists - Manhattan, San Francisco, Chicago and Seattle, for example - have among the lowest percentages of children in the country. In Los Angeles, the number of children aged five to nine dropped 21 percent over the past decade; in Chicago, a similar drop has led to proposals for massive school closings.<sup>68</sup>

### Immigrants and Opportunity Cities

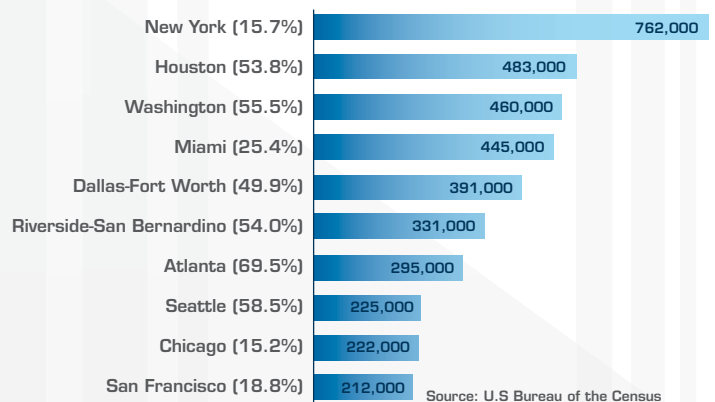
Immigrants are also moving to opportunity cities. In the past decade, Houston has increased its foreign-born population by some 440,000—more than any major city other than New York. Some other opportunity cities—Charlotte, Nashville, Raleigh—had even larger percentage changes. In contrast the increases in most legacy cities, including New York and Los Angeles, had only modest increases.

**CHART 39 | PG.24**

**CHART 38** Number of Children: Housing Affordability Metropolitan Areas: Women Aged 16-45: 2010



**CHART 39** Change in Foreign Born Population, 2000-2012 Major U.S. Metro Areas  
Note: Percent Change in Parenthesis



Source: U.S. Bureau of the Census

As a result, Houston, once a relatively small immigrant hub, now ranks fifth among the nation's major metropolitan area for its percent of foreign born. This is already well ahead of such traditional immigrant hubs as Chicago and Boston. **CHART 40 | PG. 26**

The surge of newcomers and minorities in Houston extends well into the periphery. Suburban Sugar Land is more than 35 percent Asian and home to one of the nation'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 to the west of the central core. "But it is affordable and we can afford to live in a place 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 magnet for upwardly mobile minorities and immigrants. "This is very different from Dallas where I grew up, which was very segregated," notes African-American Carla Lane, president of 15-person Lane Staffing, which helps energy, construction and other local firms with their staffing needs. "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 while you cross Highway 6 and you see people with big hats, boots and straw in the mouth. That's Houston to a T."

## Houston and the Changing Urban Form

Despite its clear economic success and demographic appeal, Houston rarely wins the respect of outside observers, particularly planners and mainstream urban theorists. For the most part, retro-urbanists tend to regard cities such as Houston as without any redeeming civic culture and as throwbacks to the sprawling post-war model of so many American cities. "...when one asks to see the social center of Houston," scoffs new urbanist theorist and architect Andres Duany, "one is taken to the mall."<sup>69</sup>

This notion of Houston as a centerless "sprawl city" has been widely accepted for decades. Joe E. Feagin, in his highly critical account of Houston's rise, *Free Enterprise City*, portrays Houston as in the grip of reactionary business interests who concocted a "planless city" to accommodate their interests. Published in 1988, just as the city was recovering from the great energy bust, Feagin's book predicted the gradual demise of the energy industry, and suggested the city should adopt models from places such as Minneapolis and Boston.<sup>70</sup>

Yet in reality Houston has become not only more open to outsiders, but has densified far more than many "legacy" cities. It is creating a new kind of market-driven urban paradigm that favors both inner city and suburban growth. Indeed, as the city's outer suburban ring beyond Beltway 8 has grown, last year attracting roughly 80 percent of all new homebuyers, the inner parts of Houston, including downtown, have also boomed. Over the past decade, the metropolitan area's inner-third ring growth has grown at 3.5 times the average of the other 15 largest metropolitan areas. This growth was greater than in such luxury cities as New York, Los Angeles and Chicago.<sup>60</sup> "Most cities would die for our in-fill," suggests Jeff Taebel, of the Houston-Galveston Area Council.

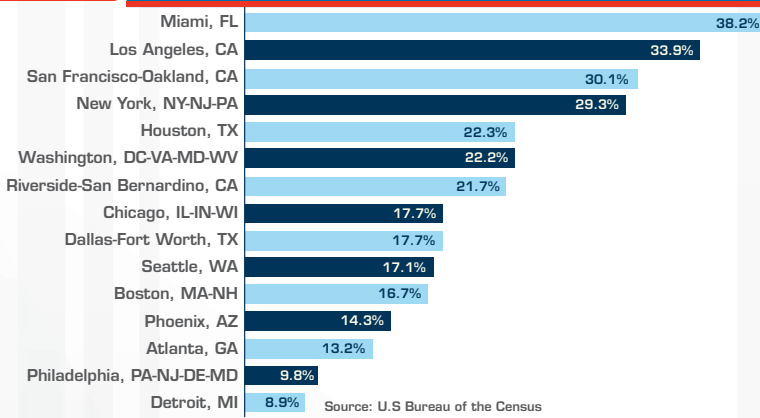
**CHART 41 | PG. 26 & BOX 1 | PG. 3**

Houston also ranked above all major metropolitan areas besides Riverside-San Bernardino in population growth among those living in densities of over 5,000 per sq. mile, adding almost 400,000 residents, a greater increase than in New York or Los Angeles.<sup>71</sup> Houston has also moved up the walkability rankings to 15th and is projected to continue moving up from there.<sup>72</sup> **CHART 42 | PG. 26**

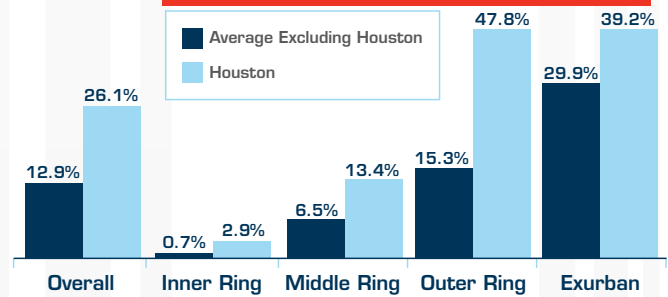
In Houston, the growth of a new urban culture is driven not so much by planning as by economics—the plethora of new jobs has brought many younger people to the city, while the housing supply increase and densification has helped keep the inner core both affordable and vibrant.

This inner ring revival impresses even those like David Crossley, head of Houston Tomorrow, who traditionally warn against “sprawl” and oppose projects like the 180-mile Grand Parkway outer loop now being built. “Everything we talked about fifteen years ago has now happened,” admits Crossley, who lives in one of the city’s dynamic inner ring neighborhoods. He pragmatically admits that most of Houston’s growth will continue to go towards the periphery, suggesting different solutions, such as bus-ways instead of the kind of train transit favored by his counterparts elsewhere. “We should not be against the suburbs—they are the garden cities of tomorrow - but understand their growth does not necessarily hurt the core.”

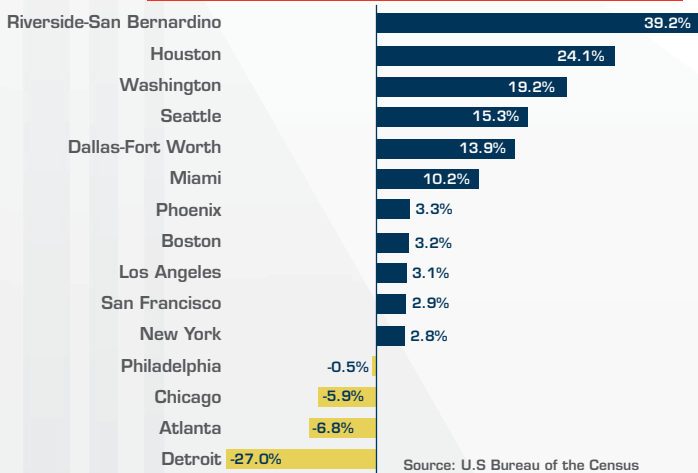
**CHART 40** % Population Foreign Born, Major U.S. Metro Areas, 2012



**CHART 41** Population Growth by Ring, 2000-2010  
Houston vs. Major Metro Areas



**CHART 42** % Change, Census Tracts with 5,000+ Inhabitants  
15 Largest Metropolitan Areas, 2000-2010



## CHALLENGES AND CONCLUSIONS

Houston's policy prescriptions may be widely accepted in the region today, but conditions could change in harder times—for example, if oil prices drop much below \$75 a barrel or if Washington decides to wage a full-scale war against the fossil fuel industry. Belief in the Houston growth model could weaken, as large numbers of affluent people from the ocean coasts settle in the region, bringing with them attitudes developed in a more controlled, high regulation urban environment. Even native Houstonians, unaccustomed in particular to high-density growth, have shown some resistance to new development which seems too rapid and often too large.<sup>73</sup>

The prime challenges Houston today faces - like those of other opportunity regions - are those caused by growth, not stagnation. Growth itself places greater demands on infrastructure, an increased need for skilled labor, and sparks demand for better urban amenities.<sup>74</sup> One particularly troublesome issue involves water, which is in critically short supply in many parts of Texas, although less severely in Houston, and where infrastructure has not kept up with increased demand. Constant growth also places strain on highways and other transport infrastructure, particularly if investment in this infrastructure continues to decline, not only in Houston but across Texas.<sup>75</sup>

### Role of Government and Private Sector

Roads, water and power systems should be the priority of government. This would follow the approach taken by Bob Lanier, a three-time democratic Mayor who steered the city's recovery from the oil bust. Lanier's approach focused heavily on building infrastructure and promoting growth rather than regulation and redistribution.

"Houston," notes the retired Harris County Judge Robert Eckels, who worked closely with Lanier, "is getting very comfortable with itself and what it is. We are a place that has a big idea—supporting and growing through private industry, and that's something everyone pretty much accepts. The goal is not to control development but to encourage it."

Another critical aspect of the Houston model lies with the strong role for the private and non-profit sector. Houston has an extraordinarily strong and generally well-managed non-profit and religious infrastructure that can serve to meet the needs of those who are left behind or are temporarily misplaced. This includes in particular healthcare, where Houston's charitable giving ranks within the top two of the country.<sup>76</sup>

The Texas Medical Center, the largest concentration of hospitals and research institutions in the world, represents perhaps the most economically relevant example of the economic benefits of philanthropy. With its origins in the late 1940s, the center was largely funded by private philanthropy, much of it tied to the energy industry. Today it provides work for people from post-graduate researchers and doctors to technicians and service workers, and is by itself the metropolitan area's third largest employment center, with over twenty thousand physicians, scientists and other advanced degree professionals. Home to some 52 separate medical institutions, the campus (1,345 acres)<sup>77</sup> is more than double the size of the Loop business district in Chicago. It currently has 45.7 million square feet of office space<sup>78</sup>—with another \$2 billion in expansion projects.<sup>79</sup> By the end of 2014, officials predict the area will be the nation's seventh-largest business district of any sort.<sup>80</sup>

But perhaps nothing so epitomizes this civic spirit than the city's strong response to the 2005 evacuation of New Orleans after Katrina. More than 150,000 people moved to Houston, and over 37,000 people were given subsidized housing and many others moved in with local families. The response of grassroots Houstonians to the crisis was so outstanding that in 2006 the Dallas Morning News - normally not exactly a booster of things Houstonian - declared the entire city as the "Texan of the year."<sup>81</sup>

## The Education Challenge

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Education may be the biggest challenge facing fast-growing opportunity cities such as Houston's. Some, including Rice's Stephen Klineberg, arguably the best known local expert, believe educational deficits could turn Houston into a "third world city."<sup>82</sup> Although many skilled immigrants come to Houston, Rice University and former state demographer Murdock suggests that most arrive as lower-skilled workers, primarily due to the state's proximity to Mexico. "The demographics are such—and the economics driving them—a major problem, particularly in the city," he suggests. "Right now not enough minorities, notably Hispanics, are getting the skills we need."

But Houston's biggest challenge may not be so much attracting highly educated talent, which is indeed coming in large numbers, as developing middle income workers who require two year degrees or certification for specific skills. Already people in the petrochemical and construction industries complain about shortages. The lack of plumbers, electricians and other trades is already impacting construction of new housing, offices, and industrial facilities in the region.<sup>83</sup>

This shortage is beginning to impinge on developer's ability to expand despite in-migration and a thriving, even somewhat yeasty housing market. "The great thing is we have all these jobs but not the people in the pipelines," Marshall Scott, associate vice-Chancellor at Lone Star 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. This offers a job that pays \$80,000 a year, a lot better than being a barista at Starbucks."

Fortunately the region—and the state—is making some concerted effort to meet these challenges. Many of the schools in the outer-rings, often with predominately white and Asian enrollments, perform well in state performance rankings. The Houston Independent School District in the urban core, the largest in Texas and 7th largest in the country, is the only school district in the country to win the Broad Prize for high performance 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.<sup>84</sup>

Many companies have invested in workforce training programs, including the high schools, as part of "co-operative education" where students go to school part-time, and work part-time. A new effort by industry, the Construction Career Collaborative, links young people to new opportunities in construction, including at local high schools. Another signature effort, the new Energy Institute High School, seeks to prepare young people for careers in that field, ranging from geology and engineering to specialized skilled labor.<sup>85</sup> Finally, the Greater Houston Partnership recently launched their UpSkill Houston campaign to prepare more workers for middle-skill jobs.<sup>86</sup>

"This is a typically Houston solution—very pragmatic," suggests Mike Temple, director of Workforce Solutions at the Gulf Coast Workforce Board. "We are trying to tell kids that it's not what you know but also what you can do." The city's largest community college, Lone Star has exploded in enrollment by 58 percent to 78,000 students in just the past five years, in large part supported by energy, construction and other local firms, and is projecting growth to over 100,000 students by 2018.

## Can Houston be "Cool?"

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Houston, and other opportunity cities, also face significant challenges in addressing the perceived weakness in the region's urban aesthetics. When discussing Houston's future, it is commonplace to hear admiring references to places like Portland or Boston. There is no way Houston can develop the historic ambiance of Boston or the spectacular scenery around Portland.

Yet there are steps an opportunity city can take to address the aspirations of such younger, educated workers, as well as families. One positive step is the construction of one of the nation's most extensive bike systems and in constructing a \$215 million park system along the city's long-disdained bayous. \$50 million of the money is from one of the region's wealthiest family, the Kinders, represents one positive step in addressing the desires of Millennial workers.

The arts represent another burgeoning sector. A 2012 survey of Houston's creative economy found the sector generated 146,000 direct jobs, with an annual economic impact of \$9.1 billion. This sector is expected to create new jobs in the Houston area more than any in the nation. Arts and culture expenditures totaled almost \$1 billion per year in 2010 with total event attendance over 16 million—numbers sure to grow quickly with almost 40,000 net new people per year moving into the region.<sup>87</sup>

But perhaps the most important changes are those that are taking place in numerous neighborhoods. A southern city of grits and barbeques is rapidly becoming an international cultural hodge-podge with a staggering degree of offerings. As young people and immigrants crowd into the city, there is a street-level transformation that one does not associate with places like Houston. "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."

### How Relevant is Opportunity Urbanism to Other Cities?

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Opportunity urbanism has emerged at a time when concern over rising inequality and decreased social mobility have become overriding national, and indeed global, issues. It seems utterly clear that the luxury model of urbanism has done little to improve the prospects of middle and working class residents. The evidence above suggests that opportunity cities like Houston, while far from ideal in this respect, offer far better prospects for the vast majority of their citizens.

This model, of course, cannot easily be transferred to other places, particularly well-established urban centers that already have followed the luxury paradigm. But opportunity urbanism offers a clearer blueprint to the emerging cities of the South, Intermountain West and the Great Plains, all of which are coping with long-term growth, and could also present one for the struggling rustbelt as well.

In the end, the key advantage and promise of opportunity urbanism lies in finding ways to help residents fulfill the basic aspirations of citizens. Far more than glittery events or celebrity culture, what really matters is whether a city helps improve the often mundane conditions of life. "Everyday life," observed the great French historian Fernand Braudel, "consists of the little things one hardly notices in time and space."<sup>88</sup>

This approach follows Aristotle's notion of the ultimate purpose of cities—about serving as an engine for improving lives.

It is a great thing that America continues to boast some of the most luxurious, edgy and attractive urban districts in the world. But we also need to have cities that can nurture new and innovative businesses, while accommodating families, middle and working class people with a high standard of living. Opportunity urbanism, and cities like Houston, provides that option.





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