

## Houston Launches Multimillion-Dollar Effort to Shield Its Economy

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**When Vestas**, the world's largest wind-turbine manufacturer, announced plans for a new U.S. research center, 42 states lined up to make sales pitches. The winning location would be rewarded with hundreds of jobs, millions in tax revenue, and green-business cachet. Finn Strøm Madsen, president of the Danish firm's tech division, wanted a site near big-name universities, so Massachusetts (MIT) and California (Caltech, Berkeley) seemed obvious choices. Portland, Oregon, was already home to Vestas Americas' headquarters.

But in June, Vestas picked Houston.

The victory was the first sign that the city's ambitious new economic-development battle plan, Opportunity Houston, was working. Like many cities, Houston is trying to lure foreign investment and corporate headquarters. Civic leaders especially want to entice companies like Vestas to help the area diversify beyond its oil-and-gas base. "The message is getting out there," says Tracye McDaniel, COO of the Greater Houston Partnership, which is running Opportunity Houston. That's largely because of the most remarkable aspect of Houston's effort: its \$40 million war chest, a huge sum in economic development, which is funding a gigantic marketing push as well as an armory of unique high-tech tools.

"This is not just a fly-by-night marketing program," says Craig Richard, a senior vice president at the partnership, who co-led the courtship of Vestas. "We're an economic-development program on steroids."

Houston's metro area added 53,000 jobs in the 12 months through August, more than any other region in the United States, save Dallas -- Fort Worth. High energy prices have meant record profits for oil giants with major operations in Houston, including ConocoPhillips and ExxonMobil. But good times have come and gone before. "We had a blinding flash of the obvious in the '80s, when we had a one-horse economy and saw that sector cool off tremendously," says partnership president Jeff Moseley. Another concern is the city's population surge; an immigrant arrives every nine minutes, and 900,000 new residents have been added in the past seven years.

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Houston's corporate mandarins set a goal of creating 600,000 new jobs by 2016. But the

region was doing a lackluster job selling itself. "Houston had no brand," says John Hofmeister, an architect of Opportunity Houston and former president of Shell Oil. Even when companies took the initiative to inquire about moving to Houston, the partnership, with its shoestring budget, had little capacity to reply helpfully. Its leaders regularly declined invitations to fly to make presentations, citing a lack of funds. The city government did little -- it had only one full-time economic-development employee.

So two years ago, Hofmeister joined Moseley, Houston Astros owner Drayton McLane, and marketer Gio Tomasini on a fund-raising tour of executive suites. They collected \$30 million, a fund initially directed toward building buzz with a new marketing push and attending economic-development conferences. In March, Richard was recruited from the consultancy Hawes Hill Calderon to help turn hype into deals.

Since last spring, the relocation pipeline has ballooned from fewer than 500 corporate candidates to well over 1,100. And during 2007, Opportunity Houston's pilot year, the partnership tallied \$500 million in new capital investment and \$15.2 billion in new foreign trade directly related to its efforts.

The Vestas hunt showed how the partnership has put its new war chest to work. Vestas already had more wind-power capacity installed in Texas than in any other state. But turbines aren't people -- and Houston was ... Houston. When Vestas execs expressed concerns about the city's quality of life, partnership leaders spent several thousand dollars on a wine-and-dine tour. When the company requested information on local university research, the newly enlarged partnership team quickly responded, detailing the strong ties between Houston's business community and schools such as Rice and Texas A&M, as well as their experience commercializing intellectual property, especially in energy. That convinced Vestas's Madsen that siting in Houston meant "access to the best brains within our field."

Now Vestas is working to find the right location for its new research center, a task that will be made easier by the innovative tech tools that Opportunity Houston's hefty budget has enabled it to develop. The partnership is sinking seven figures into a geographic information system (GIS) that could be called a *SimCity* lover's dream. It will give companies and consultants instant online access to detailed information on any location in the 10-county region. In addition to maps, the system contains 100 layers of data, from details of nearby hazardous-waste sites to specifics about power and water lines and even graveyards. No other city in America has a system this sophisticated. In addition, Opportunity Houston tracks its leads with state-of-the-art software that's an economic-development cousin to customer-relationship-management systems.

Still, attracting new investors can be as much art as science. It's an open question whether tech-heavy investments will bear much fruit; "at some point, it's overkill," says John Boyd, president of the Boyd Co., a New Jersey -- based site-selection consultancy. Plus, Houston has some Texas-specific problems. While its leaders want to lure emerging industries like nanotech and renewable energy, Texas doesn't have aggressive, sector-specific tax incentives offered by states including neighboring New Mexico.