



Texas Economic Development Post COVID-19

Luis Núñez, Director of Economic Development at HdL Companies in Texas, has helped local governments of all sizes and throughout the United States plan for and weather disasters and financial setbacks. Read below as Luis shares his response to questions currently facing our communities. He shares his insight on opportunities, perspectives, and resources that will assist Texas City Managers, Mayors, Council Members, Boards, and Commissioners recover their economies from the pandemic.



Luis Nunez, Director of
Economic Development

In speaking of recovery from the pandemic, Governor Greg Abbott has said, “The state of Texas is strong; our people, resilient.” Is resiliency going to be enough this time? What other strategies will help?

The key word here is **strategy**. Local governments cannot rely solely on the state and federal government for aid. They need to continue their focus on building their credit rating and financial standing so they have their own funds to fall back on and can expand their borrowing capacity, especially during a crisis like this pandemic.

STRATEGIC PLANNING AND RETURN ON INVESTMENT GO HAND-IN-HAND.

An economic downturn or recession is actually a good time to create or update a strategic plan that helps local governments and their economic development organizations prioritize their projects with renewed attention to fiscal responsibility. The projects they pour funds into must be fiscally responsible and even generate a return on investment. Strategic planning and ROI go hand-in-hand.

Strategic plans take up resources—time, money, people. Are they really worth the effort?

Any local government or economic development organization applying for a grant from the U.S. Economic Development Administration [first side bar] has to follow very specific guidelines for strategic plans. Getting a grant is one possible way to optimize limited local government dollars.

The EDA is concerned with creating and retaining jobs, developing work forces, increasing manufacturing capacities, and supporting communities on multiple fronts. The challenge for many local governments is to develop a strategic plan, either by themselves or with a consultant, that fits their budget, whether or not the EDA comes through.



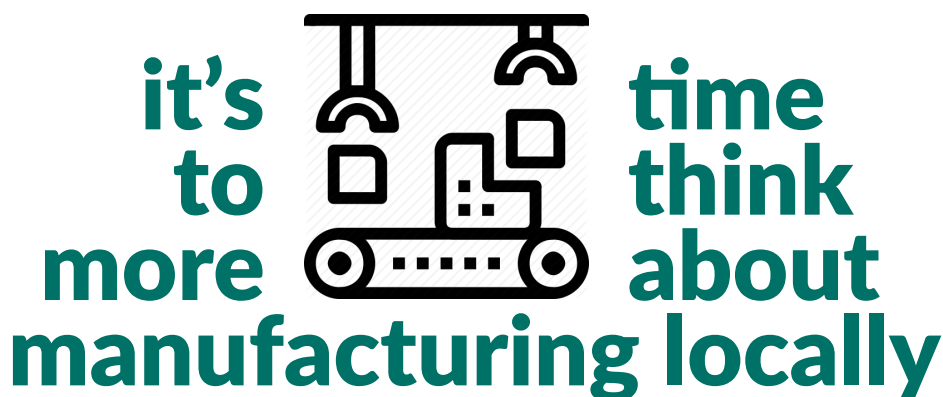
It will be a while before traditional sources of revenue, including sales, lodging, and property taxes and assorted fees, are going to recover and the chief concern of local governments right now should be three-pronged: maximize traditional revenue streams, leverage outside resources, and think more broadly or strategically.

What are some ways that local governments can think broadly?

First, by emphasizing **adaptability**. If they foster a local economy that can adapt quickly to disruptive forces, the entire community is more likely to stay financially healthy before, during, and after the next crisis. In the past, we've focused on sustainability and resiliency as the lens for thinking strategically, but it's time to shift the lens to adaptability—how will this project help us if the pandemic returns or another disaster occurs? We have to start thinking that way.

Can you give us a specific example of new ways of thinking broadly or strategically?


Infrastructure is always a priority and the pandemic has only increased recognition of the need. In 2019, Texas exported \$330 billion worth of products by air, freight rail, sea, and public roads—more than California and New York combined. However, those exports depend on imports of parts and raw materials from all over the world.



Since the pandemic began worldwide in 2020, both imports and exports have dropped steadily. Local governments need to keep those pre-existing pathways open. But they also need to prepare for the next pandemic or emergency by bringing that last mile closer. Thinking broadly in this case means attracting businesses that will help decrease the reliance on foreign imports.

Local governments can also help bring the last mile closer through better economic development and strategic planning. People know the significance of buying local; it's time to think more about manufacturing locally. Now that it's clear how badly the market can be disrupted by reliance on non-local supply chains, we have an opportunity to improve and innovate.


LINKS TO SELECT FEDERAL & STATE RESOURCES

 **U.S. ECONOMIC DEVELOPMENT ADMINISTRATION: STRATEGIC/ACTION PLAN**

 **NATIONAL LEAGUE OF CITIES (NLC): CITIES ARE ESSENTIAL**


 **GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA): CASH IS KING**

 **TEXAS GOVERNOR'S OFFICE: COVID-19**

 **TEXAS GOVERNOR'S OFFICE: BUSINESS IN TEXAS**

 **TEXAS ECONOMIC DEVELOPMENT (TEDC): COVID-19 UPDATES, RESOURCES & INFORMATION**

 **TEXAS DEPARTMENT OF AGRICULTURE**

 **CONNECTED NATION TEXAS RESOURCE FOR BRIDGING DIGITAL DIVIDE**

 **FEDERAL RESERVE BANK OF DALLAS ECONOMIC RESOURCES**

Many manufacturers have gained experience during this pandemic with retooling quickly. Local governments and their economic development organizations can encourage local manufacturers to provide what people need most, and the pandemic is a catalyst to rethink how a community can survive a future emergency.

So, we're looking at more hand sanitizer plants?

That could seriously be one result. It was a shocking discovery for many Texans that we could not produce enough personal protective equipment and sanitizing supplies to keep frontline health workers secure during the pandemic, and economic developers know that re-shoring jobs from other countries back to the U.S. could bring thousands and thousands of jobs and current imports back home.

However, I have to urge communities to look for unintended consequences. Bringing jobs back to the U.S. could reduce unemployment in Texas; but employers will also seek new ways to cut costs, and automation will certainly be one of those emerging disruptive forces. Increased automation may make re-shoring less promising than it seems at first.

The challenge for local governments and their economic development organizations will be to recover their local economies while being mindful of possible consequences five to ten years down the road, such as an increase in unemployment based on automation.

What about retail and restaurants, which were two of the hardest hit areas in the economy?

According to the Texas Restaurant Association [see sidebar], restaurants have lost about 75,000 employees and about \$600 million in revenue as a direct result of COVID-19. Restaurant and retail owners alike may request temporary tax relief and support for changes in local building policies and fees to accommodate their need for increased distance between customers, takeout areas, and drive-thrus. With a focus on adaptability, a community may begin to reshape their entire vision of their principal commercial corridors. For example, a community could tackle infill and corridor redevelopment with integrated solutions that bring consumers closer to restaurants, retail, and other commercial areas —keeping business strong, reducing the use of public transportation, and bringing people closer to their sources for supplies.

But the first step in closing the last mile is to look at the local market from the perspective of “what is missing?” In economic development, one example is a void analysis.

**75K EMPLOYEES
\$600M IN REVENUE
LOST TO TX RESTAURANTS
DUE TO COVID-19**



LINKS TO SELECT STATE & LOCAL RESOURCES



TEXAS MUNICIPAL LEAGUE (TML)



UNIVERSITY OF TEXAS: “A PLAYBOOK FOR RESILIENCY: CREATING OPPORTUNITY FOR ALL TEXANS”



TEXAS ECONOMIC DEVELOPMENT COUNCIL: COVID-19 RESOURCES, UPDATES, AND LINKS



TEXAS RESTAURANT ASSOCIATION: ECONOMIC RECOVERY



TEXAS RETAILERS ASSOCIATION: ECONOMIC RECOVERY



AUSTIN ECONOMIC RECOVERY



HOUSTON ECONOMIC RECOVERY



TEXAS ASSOCIATION OF COUNTIES

Once we know what is missing we can ask: What can we provide locally that is currently arriving from a distance? How can we help our local merchants to diversify their

How can local governments recover their economies when they are already financially strapped?

Trade Area: 3 Miles	Supply	Demand	Surplus / Gap	Gap Chart
BUILDING MATERIALS AND HOME IMPROVEMENT				
Building material & supplies stores	\$92,715,725	\$165,206,962	(\$72,491,237)	-44%
Lumber & other building/structural materials & supplies	\$44,138,677	\$69,801,078	(\$25,662,400)	-37%
Hardware, tools, & plumbing & electrical supplies	\$72,182,842	\$46,113,336	\$26,069,505	
Household fuels, including oil, LP gas, wood, coal	\$21,012,876	\$6,820,687	\$14,192,189	
Flooring & floor coverings	\$22,825,776	\$22,529,185	\$296,591	
Paint & sundries / wallpaper & other flexible wallcoverings	\$7,336,118	\$12,506,590	(\$5,170,472)	-41%

Figure 1. HdL's Void Analysis example provides a community a custom 3 mile trade area with supply and demand gaps in the Building Materials and Home Improvement sector.

That's another aspect of adaptability. Local governments and communities need to consider an overlooked element of private/public partnerships and that is public/public partnerships. Governments at different levels across Texas will need to collaborate better and challenge each other to take a

merchandise to fill those voids, especially merchants on our Main Streets or principal commercial corridors?

regional approach to economic recovery. Being a good neighbor pays off in the long-run.

Now that some national retailers are closing locations, we need to ask ourselves how we can repurpose those brick and mortar stores to improve the local supply chain? I certainly think we will see a renewed focus on redevelopment and repurposing of pandemic-related business closures.

Being a good neighbor pays off in the long run

What are some other disruptive forces that might impact a local government or redevelopment agency's ability to recover their economy?

Local governments also need to better (and more strategically) integrate their own policies, especially as they pertain to health, equity, land use, transportation, infrastructure, and economic development. When local governments are looking for new market-based opportunities and ways to increase the flow of revenue, they will have greater success both in attracting opportunities and in encouraging state and federal assistance if they find authentic ways to complement their post-pandemic economies. In Texas, a parallel concern of the post-pandemic recovery will be to diversify the energy sector, which creates valuable revenue streams for our local governments in energy-producing regions.

With more people working from home permanently and the gig economy taking off, communities will face an accelerated digital disruption. Local governments and economic development organizations will need to determine a strategy for meeting increasing digital demands. Does a community need to increase available office space—or are co-working spaces and perhaps more coffee shops with great internet access a better fit—particularly for people with limited work space at home?

I think one of the most positive consequences of the pandemic will be that local governments will focus on closing the "digital divide." Vulnerable communities, such as those in rural locations in Texas, might see greater financial assistance from state and federal governments, as well as other sources, to close the digital gap (see Connected Nation Texas in resource sidebar).



HdL's TEXAS CONSENSUS FORECAST



Provides local governments with sales tax trends and economic drivers to help maximize revenues and recover economies. Click the image to link to the full article.

The National League of Cities, the Texas Economic Development Council, and the Texas Municipal League [see sidebars] are good resources to launch a comprehensive and integrated economic recovery process. It's very important for local governments to improve their ability to understand their own baseline data, especially as they move forward with forecasting and future scenario planning when making critical policy and budget decisions.

In surviving this crisis, we need to look ahead to the next one and the next one and the one after that, whether it's a stronger strain of the coronavirus or a hurricane, fire, or flood. Fortunately for Texas, with some of our communities located on the Gulf Coast, we are no stranger to emerging more resilient from a crisis. It's good to know that the tools and resources— the resiliency, the strategic thinking, the adaptability, the local opportunities, and the potential partnerships—are all there and ready to be harnessed.

For more information on HdL Companies Economic Development Services in Texas, please email Luis Nunez at lnunez@hdlcompanies.com or contact your local office.

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