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BROWNSVILLE POSITIONED FOR SUCCESS

BY HAROLD D. HUNT

“I love the Rio Grande Valley because it’s so close to the United States,” Brownsville area real estate developer Bill Hudson says. That tongue-in-cheek quote fairly accurately describes how Brownsville residents view their region of Texas. The City of Brownsville is an essential element of the Rio Grande Valley, a cultural transition zone where Spanish is spoken as often as English and historical links with Mexico remain strong.

But Brownsville also is looking to the future. Public and private entities alike are implementing a host of forward-thinking developments and innovative programs that should position Brownsville to benefit substantially from America’s economic strength in the years to come.

A Strong Hispanic Bond

Spanish settlers first located south of Brownsville across the Rio Grande, establishing the town of Matamoros in 1765. Brownsville’s beginning dates to the 1840s. Residents then were primarily Spanish, French and American merchants who had first located in Matamoros, families with Spanish land grants and former U.S. soldiers who had once been stationed in the local area.

Over time, American settlers and soldiers began to adopt Spanish customs and culture as they participated in the social, civil, business and military affairs of the community. To this

day, there exists a strong bond between the Hispanic and Anglo cultures in Brownsville. Children’s soccer teams are made up of Anglo and Hispanic kids from both Matamoros and Brownsville. Matamoros residents do much of their retail shopping in Brownsville stores. For most of the 140,000 Brownsville and 700,000 Matamoros area locals, the three international bridges are viewed as ways to cross a river — nothing more.

Affordable Housing Challenge

Providing adequate, affordable housing is one of Brownsville’s highest priorities. A 1998 study by the Texas comptroller’s office determined that housing was affordable to just one in three residents along the Texas-Mexico border.

In the past ten years, Brownsville’s population has increased more than 40 percent, about twice the state average. This rapid population growth has made it difficult to satisfy housing demand and has often fueled the growth of colonias, unincorporated neighborhoods that are not required to follow city building codes and restrictions. However, lenders, homebuilders and prospective homeowners in the area have become resourceful in developing traditional housing options.

The Community Development Corporation of Brownsville (CDCB), a nonprofit organization founded in 1974, provides affordable housing to qualifying low-income families. Through



THE PORT OF BROWNSVILLE (left) is now the industrial port of choice for Monterey, Mexico, strengthening the economic ties between Brownsville and her southern neighbors. Area bridges (Gateway Bridge, below) and Brownsville–South Padre Island International Airport round out the community's solid infrastructure.

the innovative use of below-market financing, quality construction and efficient home designs, CDCB provides safe, sanitary, affordable housing to persons earning as little as \$8,000 per year. The organization's goal is to hand homeowners a set of keys within three to four months of their initial interviews.

CDCB's staff of 36 finances, coordinates, supervises and guarantees new housing and rehabilitation construction. After an initial interview, CDCB determines which of nine programs will best help an individual buy a home. CDCB has constructed about 300 homes per year for the past five years and provided financing for about 60 per year. The default rate on CDCB loans is less than 1 percent.

Homebuilding is a thriving enterprise in Brownsville with an average of 110 new homes built each month. A substantial amount of housing in the \$50,000 to \$70,000 range is under construction. Several homebuilders, including El Valle Homes, Armadillo Homes and Obra Homes, are building new single-family models in this category. Financing is either traditional or owner-financed by the builder. Models at the lower end of the price range are typically 950-square-foot brick homes with three bedrooms, one bath, air conditioning, a carport, carpet and tile floors.

Paseo de la Resaca, a 1,000-acre master-planned community in the center of Brownsville, is selling about 150 single-family homes per year. The development will have about 2,000 single-family residences, 2,000 apartments and two million square feet of commercial and public buildings when completely built out. About 45 percent of the single-family housing will be in the \$60,000 to \$90,000 range.

Hudson teamed up with The Woodlands Chief Planner Richard Browne in 1993 to create Paseo de la Resaca. More than 1.3 million cubic yards of soil were excavated to construct *resacas* or canals through the heart of the development. The canals have increased storm drainage capacity and provided soil to raise the elevation of the surrounding property, thereby reducing the risk of home flooding. The canals and adjoining waterfront lots also have added visual appeal to the development.

About 100 acres of public park land is being developed along the canals. Paseo de la Resaca residents enter the parks through private gates. Landscape development standards and homeowner association dues have been put in place to maintain long-term property values in the development.



Education — A Major Issue

As is the case in much of the border region, providing adequate educational and workforce development programs has proved a challenge for Brownsville. More than 40,000 of Brownsville's 140,000 residents, about 30 percent of the population, are in grades kindergarten through 12. The Texas Education Agency (TEA) reports that about 90 percent of Brownsville ISD students are considered economically disadvantaged, compared with about 50 percent for Texas overall.

Studies have shown that increasing the level of educational attainment benefits communities through higher wages, higher real estate values and more rapid employment growth. Raising educational attainment is a major issue, and the city is making progress. In 2001, the TEA awarded eight of Brownsville's 44 schools the state's highest rating of "exemplary." To receive an exemplary rating, all students must score 90 percent or better on each area of the Texas Assessment of Academic Skills (TAAS) test and must have a dropout rate of 1 percent or less. The school also must have a 94 percent or higher attendance rate.

The University of Texas at Brownsville (UTB) has partnered with Texas Southmost College (TSC) since 1991 to offer certificate, associate, bachelor's and master's degrees in liberal arts, sciences and professional programs. UTB/TSC has established an innovative workforce training and continuing education department that offers a variety of programs for adults with varied educational backgrounds. Programs include retraining for displaced workers, high school equivalency test



THE UNIVERSITY OF TEXAS AT BROWNSVILLE (above) and Texas Southmost College have partnered to establish innovative workforce training and continuing education programs aimed at equipping adults with marketable job skills.

preparation, truck driver training, hospitality service training, computer instruction, medical field training and courses in criminal justice.

Planes, Trains, Cars, Trucks, Ships

Infrrastructure improvements to enhance the city's functionality, attractiveness and future real estate development are in the works. Improvements include extending the city's airport runway from 7,400 feet to 10,000 feet, enabling it to handle virtually all wide-body, international aircraft.

While Harlingen has captured the bulk of passenger and air parcel traffic because of its central location in the Valley, Brownsville-South Padre Island International is the airport of choice for heavy air cargo. The runway extension, combined with proximity to the Port of Brownsville and the new Veteran's International Bridge into Mexico, should make the Brownsville airport increasingly attractive for heavy air cargo shipping. This should in turn increase demand for industrial real estate in the area.

An ongoing project to relocate the railroad switching yard from the downtown area to far northwest Brownsville should be completed within 18 months. In the distant future, there will be a need for a new railroad bridge to relocate all rail traffic out of downtown Brownsville and Matamoros. Locations both east and west of town are being investigated.

The East Loop project will eventually divert truck traffic crossing the Veteran's International Bridge and destined for the airport or the Port of Brownsville off of eastern downtown's arterial streets. Construction could start within the next 18 months on the portion of this roadway extending east of the bridge. When completed, the East Loop should substantially improve the quality of the affected residential environments, reduce driving time for truckers and enhance industrial real estate development along the route.

Beginning in 2003, U.S. 77/83, the city's main north-south artery leading directly to the new Veteran's International Bridge, is scheduled to be widened from four to six

lanes. The project will take three to four years to complete. This highway is already a vital transportation corridor, providing trucks clearing the bridge a nonstop northward route out of the Rio Grande Valley. Several intersections connecting the highway will be redesigned to relieve congestion and improve access to businesses along secondary arterial streets.

Part of the Port of Brownsville's ship channel will be deepened from 42 feet to 55 feet under current plans, along with the addition of 200,000 square feet of warehouse space and a heavy-lift crane system. Long-range plans include construction of a container terminal at the mouth of the channel.

Economy Remains Resilient

Brownsville's economy, like the nation's, has suffered major setbacks in recent months. The Sept. 11 terrorist attacks resulted in heightening of security at international ports of entry, hampering all local commerce tied to

Brownsville's bridge traffic. Four days after the attacks, four loaded barges crashed into the Queen Isabella Causeway, causing the only bridge to South Padre Island to partially collapse. This significantly reduced tourism in the region for several months.

Roughly two weeks after the causeway collapse, the U.S. Department of State's new requirement that Mexicans possess LaserVisa identification cards for cross-border travel into the United States went into effect. Although the Oct. 1 deadline had been announced well in advance, few Mexicans had obtained the cards. These extraordinary events, coupled with the ongoing U.S. recession, resulted in a 40 percent decrease in the city's international bridge traffic and a sharp decline in the city's retail sales.

Brownsville's economy proved to be amazingly resilient throughout this turbulent period, largely because of stabilizing factors that buffer the city from the full impact of such crises.

First, Brownsville has a high proportion of government employment. According to the Texas Workforce Commission,



BIKERS RELAX along one of the *resacas* (oxbow lakes) common in the Brownsville area.

government jobs represent about 23 percent of the total workforce in the Brownsville Metropolitan Statistical Area (MSA) compared with about 17 percent for the state overall. Salaries (including benefits) paid by federal entities such as U.S. Border Patrol, U.S. Customs and U.S. Immigration are more than two-and-one-half times the average border worker's earnings, according to the U.S. Bureau of Economic Analysis.

Second, the stability and strength of the Mexican peso continues to sustain Mexico's demand for U.S. products. An increasing number of LaserVisa approvals, combined with improvements in border crossing efficiency since the September slowdown, have allowed Mexican shoppers to again frequent Brownsville retail establishments.

Third, Brownsville has developed a strong base of medical facilities that cater to local residents, retirees, wealthy Mexican nationals and winter Texans, who migrate from northern states to the Rio Grande Valley during the winter months. Medical and health care sector employment tends to be more stable and higher paying than the average border employment.

Finally, the Port of Brownsville has become the port of choice for Monterey, Mexico. Mexican industrial activity is a key economic driver for the Brownsville economy, and Mexico's heavy manufacturing core is based in Monterey. Compared with the Port of Brownsville, Mexican ports along the Gulf of Mexico such as Tampico or Veracruz are too shallow, too small or too distant for Monterey's shipping needs.

Brownsville's Sunny Outlook

The long-term outlook for Brownsville's economy is good. Retail development in Brownsville was spurred two years ago when Sunrise Mall expanded to more than one million square feet. The mall expansion caught the attention of many national chains, which now view the city's demographics and level of spending by outsiders attractive enough to justify development.

The city's proximity to maquiladora plants in Matamoros, as well as its access to all forms of freight transportation, should make Brownsville increasingly attractive to U.S. industry as well. As the national economy begins to recover, Brownsville should benefit from American companies looking to add new, lower-cost capacity to their operations by locating in the Matamoros area.

U.S. companies are finding it increasingly advantageous to establish light manufacturing or assembly operations in Mexico while keeping warehouse and distribution facilities in the United States. This allows them to have raw materials or components warehoused at the border to supply their Mexican

facilities on short notice and finished goods on the U.S. side ready to be distributed just-in-time anywhere in the country.

According to industrial Realtor David Alex, partner in Alex & Associates International, Brownsville has about ten million square feet of manufacturing and warehouse-distribution space while Matamoros has about 25 million square feet of manufacturing space. Within the past two years, about 600,000 square feet of new manufacturing space was constructed in Matamoros. About 250,000 square feet of warehouse-distribution space was built in Brownsville during the same time. Industrial

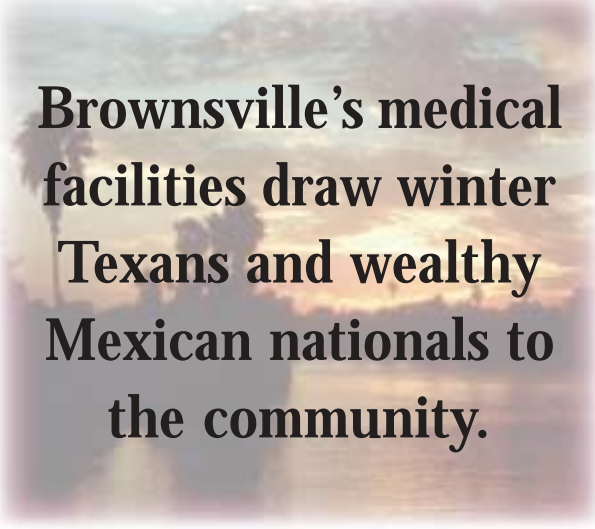
space occupancy rates in Brownsville and Matamoros ranged from 90 to 95 percent during 2001.

To simplify the process for American companies seeking to locate operations across the border, a consortium of professionals under the direction of Ricardo Solis Baker is creating a one-stop information shop in Matamoros. Mexican architects, appraisers, computer and Internet specialists, lawyers, accountants, builders and marketing reps will work independently but in one location to provide information about permitting, government incentives, tax implications, obtaining clear title or any other issue involved in setting up a business in Mexico.

Companies also are finding it increasingly attractive to take advantage of lower Mexican labor costs without having physical facilities in Mexico. NovaLink, a Matamoros "shelter" firm, can provide almost any amount of labor and warehouse space for U.S. firms, allowing companies to assume less initial risk and start out small. Capacity can be increased or decreased over time as needed. NovaLink does assembly work or produces a client's products based on individual specifications, even adopting the company's reporting methods.

With an increasing supply of young, bilingual labor, a solid industrial and transportation infrastructure and close economic ties to Mexico, Brownsville has positioned itself well for the future. ➤

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Brownsville's medical facilities draw winter Texans and wealthy Mexican nationals to the community.



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