Introduction

This Economic Development Plan lays out a blueprint, together with the other elements of the Comprehensive Plan, (Land Use, Downtown, Civic, Social, Infrastructure, and Environment), that leverages existing regional physical, natural, and human resources to create sustained improvements in the quality of life and economic development of Brownsville.

An industrial cluster initiative is the central feature of the Economic Development Plan. It focuses on the integration and development of a selected number of clusters with the greatest comparative advantage to increase regional competitiveness. This will establish the basis to move forward to a more advanced economic development stage and an associated increased level of municipal service.

The next section presents the economic outcome objectives developed by the community, together with the associated indicators that are proposed to provide an operational measure of the community’s performance. This is followed by a discussion of the most critical gaps between the community’s outcome objective and the existing reality. The next section outlines the root causes for the existing gaps and is followed by the key economic strategies needed to bridge the performance gaps in the community. An evaluation of the potential improvements associated with sample industrial cluster initiatives is also included. Finally, a summary of the most important implementation initiatives needed over the next five years is presented.

Vision Objectives

Two basic economic development vision themes were developed during the visioning process. The first theme focuses on developing a prosperous community and addresses income, jobs, and wages. The second theme focuses on the efficiency and sustainability of the public sector and speaks to municipal levels of service and tax rates:

- A PROSPEROUS community with high per capita income and low poverty rates based on targeted industrial clusters that offer good jobs paying livable wages and employment opportunities for our future generations.
- An EFFICIENT community with a public sector that provides high quality levels of services and competitive tax rates.

<table>
<thead>
<tr>
<th>DIRECT</th>
<th>INDIRECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROSPEROUS</td>
<td>•</td>
</tr>
<tr>
<td>EFFICIENT</td>
<td>•</td>
</tr>
<tr>
<td>FUNCTIONING</td>
<td>•</td>
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<td>SAFE</td>
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<td>TALENTED</td>
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<td>HEALTHY</td>
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<td>LIVABLE</td>
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<td>VIBRANT</td>
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<td>ENGAGED</td>
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<td>COLLABORATIVE</td>
<td>•</td>
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<tr>
<td>EQUITABLE</td>
<td>•</td>
</tr>
<tr>
<td>SUSTAINABLE</td>
<td>•</td>
</tr>
</tbody>
</table>

Figure 1. Vision Themes Related to the Economic Element

The economic development themes presented in Figure 1 are directly related to the community’s prosperity, efficiency and sustainability. These three themes lead to a well functioning, safe, talented, healthy, livable, vibrant, engaged, collaborative and equitable community. In other words, the quality of life themes (social themes) are related to the quality of the economic themes. In summary, the Plan is designed to answer the following question: How can the City obtain sufficient financial resources to deliver a level of service that reflects the quality of life the community desires; and to support the level of economic development needed to create sustainable employment opportunities for future generations?
Outcome Objectives Indicators

Indicators provide a way to make the vision themes operational. They establish a basis for identifying gaps between existing and desired objectives; establish target goals; provide an understanding of root causes and establish a basis for developing corrective actions; and finally, provide a tracking and accountability mechanism for evaluating program performance as the Plan becomes implemented.

A series of indicators was developed for the economic development vision themes and then a smaller set was selected for initial tracking in the economic dimension. Other indicators, for example educational attainment and poverty levels, while critical to economic development, are tracked in their corresponding Education and Equity Plan Elements. The initial set of tracking indicators is presented in Figure 2, together with the associated planning dimension, vision theme, and current baseline values. A larger set of indicators was used to identify key issues. These are outlined in subsequent sections of the report.

Situation Assessment: Key Indicator Gaps

Brownsville has the fortune of having many unique economic endowments. The most significant of these include its proximity to Mexican markets, multi-modal (land, air, sea) ports of entry, a sophisticated cross-border manufacturing hub, a growing university, a municipally owned electrical utility, and a rich natural resource environment. These provide the City with a strong foundation for supporting a healthy, diversified, and sustainable economy that is so critical to the well being of the community.

However, along with these assets and opportunities, Brownsville faces a number of significant challenges to achieving its vision. An analysis of the indicator data reveals that Brownsville is in a state of economic decline and eroding competitiveness. The region lags behind peer border regions, the state of Texas, and the U.S. in a number of critical economic

<table>
<thead>
<tr>
<th>Dimension/Vision Theme</th>
<th>Attribute Measured</th>
<th>Outcome Indicator</th>
<th>Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECONOMIC/Prosperous</td>
<td>Economic Growth</td>
<td>Per Capita Income</td>
<td>$11,161</td>
</tr>
<tr>
<td>ECONOMIC/Prosperous</td>
<td>Employment</td>
<td>Real Unemployment Rate</td>
<td>8.5%</td>
</tr>
<tr>
<td>ECONOMIC/Prosperous</td>
<td>Employment</td>
<td>Jobs Added per increase in labor force</td>
<td>60%</td>
</tr>
<tr>
<td>ECONOMIC/Prosperous</td>
<td>Economic Growth</td>
<td>% Net New Firms Added</td>
<td>12.6%*</td>
</tr>
<tr>
<td>ECONOMIC/Prosperous</td>
<td>Employment</td>
<td>% of Jobs in Exporting (Traded) Industries</td>
<td>17%</td>
</tr>
<tr>
<td>ECONOMIC/Prosperous</td>
<td>Economic Growth</td>
<td>% of Output by Firms in Exporting (traded) Industries</td>
<td>27.2%</td>
</tr>
<tr>
<td>ECONOMIC/ Efficient</td>
<td>Municipal Revenue</td>
<td>% of General Fund Budget from Ad Valorem Taxes</td>
<td>20%</td>
</tr>
<tr>
<td>ECONOMIC/ Efficient</td>
<td>Municipal Level of Service</td>
<td>General Fund Revenue per Capita</td>
<td>$ 480</td>
</tr>
<tr>
<td>ECONOMIC/ Efficient</td>
<td>Debt Burden</td>
<td>Net Debt per Assessed Valuation</td>
<td>3.4%</td>
</tr>
<tr>
<td>ECONOMIC/ Efficient</td>
<td>Tax Rate Burden</td>
<td>Debt to Income</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

Figure 2. Economic Indicators for Brownsville.
performance indicators, and the trends are not encouraging. This section presents the key gaps; provides comparisons with peer border regions, the state of Texas, and the U.S.; and spotlights the implication of future trends if current conditions persist into the future.

**Income Per Capita**

Brownsville’s per capita income and its growth rate are among the lowest in the country, and are lower than even border peer communities. If current trends continue, per capita income will be almost three times Brownsville’s within the next generation.

**Indicator:** Income per capita: $11,161; Income per capita growth rate 3.97%

**Benchmarks:** McAllen $17,552; Laredo $12,872; Texas $23,294; U.S. $26,178

**Source:** U.S. Census Bureau, Bureau of Economic Analysis, and PRP projections

Income data provides a basis for comparing the region’s relative purchasing power with other regions. The estimated income per capita in Brownsville in 2007 of $11,161 is among the lowest in the U.S. and is lower than even border peer communities. It is 36% lower than McAllen’s per capita income ($17,552), 13% lower than Laredo’s ($12,872), less than half the per capita income in Texas ($23,294) and almost 60% less than the per capita income in the U.S. ($26,178). If current trends persist, the disparity in Brownsville’s per capita income will continue to widen. Within the next generation, the per capita income of Laredo and McAllen will be almost two and three times greater than Brownsville’s, respectively.

Figure 3. Current Income Per Capita.

Figure 4. Income Per Capita Projections.
Educational Attainment

Brownsville’s educational attainment is inadequate for the community to be competitive. More than 40% of the population 25 years and older has less than a high school education and 85% has less than a Bachelor’s degree.

Indicator: Population 25 years and over with at least high school degree: Brownsville 58%

Benchmarks: McAllen 73.5%, Laredo 60.4%, and Texas 78.7%

Source: U.S. Census Bureau

Brownsville’s educational attainment levels underperform when compared to both the State and the

U.S. Brownsville’s lack of educational attainment is consistent across all categories. Forty two percent of Brownsville’s 25 years and older population does not have a high school diploma compared to less than 27% for McAllen and Texas.

A higher percentage (27%) of the population has less than a 9th grade education, and 15% has a 9th to 12th grade education. Only 10.2% of the population has a Bachelor’s degree and only 5.1% of the population has a graduate or professional degree. The only area where Brownsville has a semblance of parity is in the percent of individuals who have obtained associate degrees.

Figure 5. Educational Attainment, population 25 years and older.

Figure 6. Educational Attainment.
Unemployment

Brownsville’s unemployment rate (official rate: 8.4%) is one of the highest in Texas and the U.S. If we correct for the lower percentage of adults in Brownsville that are economically active (labor force participation rate) the actual rate of unemployment is 21%. More importantly, the population growth rate is greater than the job creation rate and will result in doubling the number of unemployed individuals over the next 25 years.

Indicator: Unemployment rate: 8.4%

Benchmarks: Laredo 8.4%, McAllen 7.0%, and Texas 6.9%

Source: U.S. Census Bureau, Bureau of Labor Statistics

The unemployment rate in Brownsville is one of the highest in Texas. Brownsville’s unemployment reflects one of the major challenges facing the City. To fully understand the situation, one must consider the unemployment rate in conjunction with labor force participation. The unemployment rate only measures the unemployed portion of the economically active adult population. If we correct for the lower labor force participation, the actual unemployment rate would be 21%. More significantly, the current trend shows that the working age population is growing faster than the job creation rate. This will lead to a doubling in the number of unemployed individuals over the next twenty five years.

Figure 7. Current Unemployment Rates.

Figure 8. Unemployment Rate Projections.
Labor Force Participation and Wages

Fewer adults in Brownsville are economically active relative to the U.S. and Texas. Those who are employed are working in low paying, non-traded industries and are supporting a relatively larger dependent population. Three quarters earn less than the State median ($13.76/hour).

**Indicator:** Labor force participation rate: 56.6%

**Benchmarks:** McAllen 61%, Laredo 63%, Texas and U.S. 65%

**Source:** U.S. Census Bureau, Bureau of Labor Statistics

The labor force participation rate is a determining variable in long run economic growth. It measures the percentage of working-age (16 years or older) population that is economically active. In 2007, the U.S. Census estimated that of the total working age population in Brownsville, (115,210), only 56.6% is economically active. This compares poorly with Texas and the U.S. at 65%, Laredo at 63%, and McAllen at 61%. The lower labor force participation rate also leads to a disproportionate distribution in the percentage of the population that is supporting the non-working segment. In Brownsville, 34.5% of the total population is working to support the 65.5% of the total population that is not working.

![Figure 9. Labor Force Participation Rate.](image)

![Figure 10. Distribution of Population by Work Status.](image)
**Increase in Jobs and Wages**

The fastest growing jobs are in non-traded, low paying industries. 73% of the jobs in Brownsville pay less than $12 per hour and the two fastest growing industries pay less than $8 per hour.

**Indicator:** Median wage rate: $9.5  
**Benchmark:** Texas Median wage rate: $13.76  
**Source:** Bureau of Labor Statistics, Texas Workforce Commission

Most of the working population in Brownsville is employed in low paying occupations in non-traded (non-exporting) industries. Texas workforce commission statistics show that three quarters of the employed population earns less than the state median income ($13.76). The two industries projected to grow fastest in the region (healthcare support and personal care and service), pay less than $8 per hour.

Figure 11. Projected Employment Growth by Industry, 2006-2030.
**Poverty Level**

The percentage of families living below the poverty level (37%) in Brownsville is four times higher than the U.S. average and three times higher than Texas average. The poverty rate is projected to increase to 60% in the next 25 years. Even more significant, 45% of families with children live below the poverty line.

**Indicator:** Percentage of families below poverty level: 36.6%

**Benchmarks:** McAllen 24%, Laredo 26.7%, and Texas 13.3%

**Source:** U.S. Census Bureau

The percentage of families living below the poverty level in Brownsville has increased from 32% in 1999 to 37% in 2007. This compares with 24% for McAllen, 26.7% for Laredo, 13.3% for Texas, and 9.8% for the U.S. The percentage of families with children under 18 and living below the poverty level is significantly higher and has increased from 39% to 45% in the last 8 years. The current trend shows that the percentage of families living below the poverty level will continue to increase and will approach 60% by 2035 (Figure 13).

![Figure 12. Percentage of Families Living Below the Poverty Level.](image1)

![Figure 13. Projected Increase in the Percentage of Families Living Below the Poverty Level.](image2)
Relative Cost of Living

Brownsville’s relative cost of living (cost of living adjusted for income) is twice as high as the national average.

*Indicators:* Relative cost of living: 2.02 adjusted by income
- Cost of Living Index: 86 points
- Income per capita as a percentage of U.S.: 42.5%

*Benchmark:* Relative cost of living: 1.0

*Source:* ACCRA, U.S. Census, RCL composite index by PRP

Although the cost of living is 14% lower than the national average, the income per capita is more than 57% lower than the national average. When adjusting for income, the cost of living in Brownsville is more than double the average for the U.S.

Public Sector Level of Service

Brownsville’s level of service is low compared to other cities and is indicative of the City’s struggle to provide adequate municipal services (e.g., streets, drainage, public safety).

*Indicators:* Level of Service: $480

*Benchmarks:* Laredo $515 and McAllen $692

*Target:* Level of Service: $550

*Sources:* Municipal Budget Reports

The level of service is defined as the General Fund revenue per capita. It is a comparative measure of municipal services provided to the community. Brownsville’s level of service ($480) is significantly lower than other cities and even border peer communities. McAllen’s level of service is over 40% higher than Brownsville’s, while Laredo’s is 7% higher and Corpus Christi’s is almost 30% higher. The lower levels of service are indicative of the City’s struggle to provide needed capital improvements, maintain streets and drainage facilities, and provide proper staffing levels.
Ad Valorem Contribution to General Fund Revenues

Brownsville’s ad valorem tax revenues contribute only 20% of the General Fund revenue. This creates an overreliance on less reliable sales tax revenues and subsidies. This leads to higher municipal debt levels and the use of sales tax revenues for basic services instead of economic development and quality of life initiatives.

**Indicators:** % Ad Valorem Tax Revenue Contribution to General Fund: 20%

**Benchmarks:** Laredo 36% and McAllen 27%

**Target:** % Ad Valorem Tax Revenue Contribution to General Fund: 70% to 80%

**Sources:** Municipal Budget Reports

The low percent contribution of property taxes to the General Fund is a direct result of low property valuations and is related to uncontrolled urban sprawl patterns of development. Brownsville’s assessed valuations per capita are significantly lower than either Laredo’s or McAllen’s (Figure 14) and it leads to higher net debt per assessed valuation (3.4% versus 2.6% for Laredo), debt service per capita ($91 versus $55 for Laredo) and higher ad valorem tax rates. A more detailed discussion of the municipal tax gap is presented in the Land Use Element of the Plan. Even with these challenges, the City has acted with fiduciary responsibility and managed to maintain and improve its bond rating.

The long term concern is that the combined effect of higher property taxes, low level of service, and high poverty rates will lead to an exodus of higher income residents to surrounding cities, resulting in further deterioration of economic and social conditions in the City.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Brownsville</th>
<th>Laredo</th>
<th>McAllen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>172,806</td>
<td>221,420</td>
<td>137,900</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>11,161</td>
<td>12,872</td>
<td>17,562</td>
</tr>
<tr>
<td>Assessed Valuation</td>
<td>5,045,654,764</td>
<td>8,408,036,926</td>
<td>5,903,139,057</td>
</tr>
<tr>
<td>Net Assessed Valuation per capita</td>
<td>29,168</td>
<td>36,325</td>
<td>45,168</td>
</tr>
<tr>
<td>Taxpayers Concentration</td>
<td>4.4%</td>
<td>&lt; 15%</td>
<td>25%</td>
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<tr>
<td>General Fund Balance</td>
<td>8,624,994</td>
<td>23,146,914</td>
<td>50,087,240</td>
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<tr>
<td>General Fund Balance (%)</td>
<td>10%</td>
<td>19%</td>
<td>59%</td>
</tr>
<tr>
<td>General Fund Revenues</td>
<td>83,019,564</td>
<td>119,241,777</td>
<td>90,455,888</td>
</tr>
<tr>
<td>Level of Service</td>
<td>480</td>
<td>545</td>
<td>662</td>
</tr>
<tr>
<td>% General Fund from Ad Valorem Taxes</td>
<td>20%</td>
<td>36%</td>
<td>27%</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>0.650041</td>
<td>0.637000</td>
<td>0.420000</td>
</tr>
<tr>
<td>Ad Valorem Tax Revenues per Capita</td>
<td>190</td>
<td>231</td>
<td>190</td>
</tr>
<tr>
<td>Overlapping Tax Rate</td>
<td>2.349006</td>
<td>1%</td>
<td>1.5% - 2.5%</td>
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<tr>
<td>Net Debt</td>
<td>171,938,278</td>
<td>217,045,000</td>
<td>4,680,000</td>
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<tr>
<td>% Ad Valorem Revenues to Debt Service</td>
<td>40%</td>
<td>19%</td>
<td>0%</td>
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<td>Net Debt per Assessed Valuation</td>
<td>3.4%</td>
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<tr>
<td>Net Debt per Capita</td>
<td>965</td>
<td>942</td>
<td>36</td>
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<tr>
<td>Debt to Income</td>
<td>8.9%</td>
<td>7.5%</td>
<td>0.2%</td>
</tr>
<tr>
<td>% of Tax Levy Collected</td>
<td>94.17%</td>
<td>97.14%</td>
<td>94.79%</td>
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<tr>
<td>Debt Service</td>
<td>15,705,414</td>
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<td>Debt Service per Capita</td>
<td>61</td>
<td>55</td>
<td>2</td>
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<td>City Employees per 1000</td>
<td>6.5</td>
<td>9.7</td>
<td>12.5</td>
</tr>
<tr>
<td>Public Safety Employees per 1000</td>
<td>3.2</td>
<td>3.9</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Figure 14. Comparative Municipal Financial Indicators.
Root Causes

This section outlines the root causes of Brownsville’s challenges listed in the previous section.

Brownsville is a factor driven, rather than an investment or innovation driven, Economy

One way to characterize economies is by their level of development. Michael Porter, one of the leading economic development experts in the country, has developed a characterization scheme for economies that consists of three stages of development (Figure 15): factor driven stage, an investment driven stage, and an innovation driven stage.

Economies that are factor driven are usually low-income economies that rely on abundant unskilled labor, primary products, natural resources, and location factors. Investment driven economies are characterized by higher income levels and high productivity, and unlike factor driven economies, their output is capital intensive. Innovation driven economies have the highest income levels, generate rather than import technology, and their competitiveness is based on their ability to innovate.

Our analysis of the economic and social settings in Brownsville indicates that its economy is at the factor-driven stage. It is characterized by low per capita income, low productivity, low wages, and operates in the low end of the value chain. Instead of being developed locally, technology is transferred from more advanced regions at a significant cost. Brownsville’s competitive advantages are based on its location along the US/Mexico border and its abundant, relatively low-cost, unskilled workforce.

- Brownsville’s location has positioned Brownsville to extract economic value from the movement of goods through the area, especially due to trade between the US and Mexico. However, the volume of trade is constrained by regional transportation factors imposed by outside interests and the lack of internal demand generators. This has made it difficult to achieve the economies of scale needed to realize competitive costs and generate sufficient revenues to expand the needed supporting infrastructure especially in the logistics and transportation sectors.

- At the same time, low cost labor, although previously a competitive advantage, is now vulnerable to competition from an increasing number of foreign factor-driven economies, as international trade barriers continue to be removed from the global economy.

Low educational attainment is a major contributing factor to Brownsville’s level of economic development

Low educational attainment and poor economic performance can create a negative feedback loop that can lead to economic and social decline. Low educational attainment is one of the principal determinants of the low productivity, limited value chain contribution, and low income of Brownsville’s labor force. At the same time, economic decline does not offer opportunities for local employment for those who achieve higher levels of educational attainment. This creates an

![Porter's Stages of Economic Development](image)

Figure 15. Porter’s Stages of Economic Development.
export of talent out of the region and prevents the creation of the critical mass of talent needed to move forward to the next stages of economic development.

**Fewer workers support a large dependent population**

The burden placed on the working population in Brownsville is much greater than that placed on the working population in peer border communities, Texas, and the U.S. For every worker in Brownsville there are two people not working, compared to 2 workers for every 3 non-working persons in McAllen and Laredo, and almost one worker for every non-worker in Texas and the U.S.

**The local economy is dominated by non-traded industries**

The majority of the employed labor force is concentrated in low paying, non-traded industries and/or public sector entities that principally satisfy only the local demand. The lack of sufficient traded industries that export their goods and services outside the local area leads to lack of creation of real wealth and overburdening the taxing capacity of the community.

**Insufficient integration between educational and workforce skills development and business needs**

Almost all of the cluster focus group participants were concerned about the lack of a skilled workforce pipeline from which to draw actual and future employees. Concern was also expressed about the mismatch between industry needs and the skills graduates acquired from traditional education providers.

**There has been a lack of sufficient sustained integration of economic development, land use, transportation, and utility planning efforts**

Although important cooperative planning efforts have been carried out within individual infrastructure areas, most notably the local Metropolitan Planning Organization (MPO), there has been a lack of sufficient sustained planning and coordination of land use, infrastructure improvements, and economic development efforts. This lack of sufficient integration has in part contributed to the competitive challenges faced by the City, the low property tax base, and the associated low municipal levels of service.

**The lack of a land use plan is one of several major reasons for the lack of integration between infrastructure and economic development efforts. It has contributed significantly to low ad valorem contributions to the General Fund and the resulting low levels of service.**

A land use plan provides an operational foundation for the integration of economic development and infrastructure efforts. Without it, there is no long term vision and efforts become ad-hoc, intermittent, and unsustainable. The lack of a land use plan has also led to urban sprawl, insufficient non-residential landuse and inefficient capture of value. Higher valuations are concentrated along major corridors, albeit in sporadic fashion, with no significant transfer of value beyond the corridors. The inability to create, capture, and transfer value leads to low valuation rates, low municipal levels of service, and high service costs. A more detailed discussion of the effect of land use on the municipal tax gap and levels of service is provided in the Land Use Element of the Plan.
Moving Forward: The Economic Development Plan

We are currently in the midst of worldwide financial crisis that has caused significant slowdowns in global demand. The effects of this crisis on the economies of the region have made the economic challenges that Brownsville faces even more daunting. However, this crisis also presents a significant opportunity to implement the changes necessary to transform Brownsville’s economy. Now more than ever, our region must put in place the fundamentals for real economic growth to change our current trajectory of economic decline towards the vision articulated by its citizens.

Overcoming the economic gaps between the community’s vision and its current reality will require nothing less than a full transformation of Brownsville’s economy. However, this transformation must be appropriate to Brownsville’s current factor-driven economic development stage. Attempting to leap-frog to an innovation economy without first providing a strong foundation (institutional, infrastructure, capital, land use/social, educational) for a proper transition can lead to inefficient use of limited resources and poor outcomes.

In order to achieve the community’s goals, economic development strategies must improve the competitiveness of the region to attract the private capital investment necessary to move the region forward to the next development stage.

Ten major economic development initiatives have been identified for transforming the Brownsville economy to the next level.

1. **Focus economic development initiatives on traded industrial clusters rather than individual firms**

Clusters are groups of geographically interconnected firms in the same industry. They provide a greater return on economic output per level of investment because of the synergy created by the concentration of firms within the same region.

The proximity of firms in similar industries creates advantages that translate into greater creation of wealth and that do not occur when you have firms isolated from the rest of the industry. In a cluster, suppliers and leading firms are closely located. This creates opportunities for lowering costs and producing greater profits. But more importantly from the city’s perspective, when a cluster is more inter-related, a greater percentage of wealth generated by the cluster stays in the local area, rather than leaking out of the region.

The level of inter-relationships of the firms in the cluster is represented by the degree of integration. There are four levels of integration: pre-clusters, emerging clusters, expanding clusters, and transforming clusters. The greater the level of integration, the greater the economic benefits that accrue to the community. The level of integration will also provides an indication of the type of strategies required to improve the performance of the cluster.

Previous economic plans have used a cluster approach with a focus on job creation. However, a job creation approach should distinguish
between jobs in wealth creating industries and jobs in non-wealth creating industries. Traded clusters are wealth creating industries. They export products to other regions, which generates an inflow of real wealth to the community, as opposed to a firm that just circulates local funds without creating real wealth. Even worse, there are non-local firms (e.g., some national retailers) that create a loss of wealth by extracting more money from the community than what they bring in.

2. Develop traded clusters in industries where Brownsville has the greatest competitive advantages and to increase the level of cluster integration

A number of factors were used to identify target industrial clusters that offered the highest competitive advantages for Brownsville:

- Clusters’ market opportunities, including national and local trends, identified utilizing Shift-Share Analysis techniques (Figure 17).
- Prospects for sustainable job creation through cluster recruitment, expansion of existing businesses, and creation of new businesses.
- Degree of technology development and the ability to transfer this technology to develop other clusters and/or to enable growth of existing ones. For example, high level technologies in the light manufacturing sector can be transferred to elected clusters or leveraged for manufacturing advanced technology. This can be done through strategic alliances with innovation technologies developed by advanced clusters in central Texas (e.g., nanotechnologies).
- Strategically funded government industries (Manufacturing for Alternate Energy and/or Homeland security industries)

Five clusters were determined to provide the greatest opportunity of producing the highest increases in the key indicators (e.g., per capita income, ad valorem revenues, sales tax receipts, and jobs) for realistic levels of investment. A more detailed description of the process used to identify the selected clusters is presented in the Economic Appendix. Although general businesses sectors will continue to pursue growth opportunities in secondary existing regional industrial areas (e.g., retail), new public capital expenditures should be focused on the targeted clusters. The following clusters will provide the greatest opportunity to meet the community’s vision, given the limited nature of available capital resources.

**Heavy Manufacturing Cluster**

**Cluster Focus: increase the level of integration.**

This is a high value cluster that offers the potential for the greatest impact on the economy of Brownsville. Heavy manufacturing is at the pre-cluster stage and is the least integrated of the five clusters identified. Even though a leading firm (AMFELS) and some other cluster components (e.g., ship dismantling, scrap metal) already exist, they are not integrated. Many intermediate goods and services in this cluster are purchased from outside the region. These purchases represent leakages (lost jobs, taxes, and wealth). Integrating the cluster by recruiting some of the missing components (e.g., steel mills, steel rolling plants, metal casting firms) will reduce leakages and result in other beneficial externalities (e.g., increasing the efficiency and productivity of the cluster by connecting the existing component and creating additional demand for other clusters). By increasing the level of integration within this cluster, a greater share of the value added will be retained.

**Light Manufacturing Cluster**

**Cluster Focus: increase the level of integration.**

Light manufacturing is slightly more integrated than heavy manufacturing. It is beyond an emerging cluster, but has not reached the stage of an expanding cluster. Although the light manufacturing has significant advanced manufacturing technology capabilities, it has been too heavily reliant on the automotive sector. The current economic crisis has exacerbated the precarious state of the automobile industry. This
Tourism and Hospitality Cluster

Cluster Focus: develop new markets and expand existing ones.

Hospitality and tourism is also fairly well integrated and at the expanding cluster stage. To move to the transforming stage, the hospitality and tourism cluster needs to continue to focus on the expansion of existing markets and develop new markets (e.g. ecotourism, conventions, historical tourism, and medical tourism).

Health Services Cluster

Cluster Focus: develop new markets and expand existing ones.

The health cluster is a fairly well integrated cluster. It is at the expanding cluster stage, but its growth is constrained by the growth rate of the local market. In order to move to the next stage (transforming stage), the health care cluster must increase market penetration in growing, existing market segments (e.g. geriatric care) and develop new markets (e.g. medical tourism).

Logistics and Transportation Cluster

Cluster Focus: develop new markets and expand existing ones.

The logistics and transportation cluster is also at the expanding cluster stage. Its current growth is limited by the capture of goods in transit to other markets, rather than internally generated demand. This cluster’s growth will be linked to the demand generated by other clusters, particularly heavy and light manufacturing.

<table>
<thead>
<tr>
<th>Growing Nationally</th>
<th>Declining Nationally</th>
</tr>
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<tbody>
<tr>
<td>Educational Services</td>
<td>Federal Government</td>
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<tr>
<td>Food Services and Drinking Places</td>
<td>Transportation Equipment Mfg</td>
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<tr>
<td>Social Assistance</td>
<td>Miscellaneous Manufacturing</td>
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<td>Machinery Manufacturing</td>
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<td>Hospitals</td>
<td>Food and Beverage Stores</td>
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<tr>
<td>Support Activities for Transportation</td>
<td>Heavy Steel industry</td>
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<td>Clothing and Clothing Accessories Stores Building Material &amp; Garden Supply Stores Health and Personal Care Stores</td>
<td>Sporting Goods/Hobby/Book/Music Stores Sporting</td>
</tr>
<tr>
<td>Renewable energy</td>
<td>Goods/Hobby/Book/Music Stores Plastics &amp; Rubber</td>
</tr>
<tr>
<td>Warehousing and Storage</td>
<td>Products Mfg Fabricated Metal Product Mfg</td>
</tr>
<tr>
<td>Heavy and Civil Engineering Construction Amusement, Gambling &amp; Recreation Furniture and Home Furnishings Stores</td>
<td>Heavy industry steel mill</td>
</tr>
<tr>
<td>Financial Investment &amp; Related Activities</td>
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<tr>
<td>Credit Intermediation &amp; Related Activities Construction of Buildings</td>
<td>Couriers and Messengers</td>
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<tr>
<td>Membership Organizations &amp; Associations Electronic Markets and Agents/Broke</td>
<td>Performing Arts and Spectator Sport Computer and Electronic Product Mfg Food Manufacturing</td>
</tr>
<tr>
<td></td>
<td>Nonmetallic Mineral Product Mfg</td>
</tr>
</tbody>
</table>

Figure 17. National and Local Trends.
3. Develop positioning strategies in market segments within each cluster that provide the greatest sustainable ROI for targeted economic indicators.

Below is an initial list of potential markets to be investigated further as part of the cluster implementation process.

Heavy Manufacturing Markets

- Manufacturing of steel components for renewable energy equipment (e.g., wind turbines, wind turbine structures and heavy equipment, solar energy structures)
- Manufacturing of steel components for energy exploration and extraction (e.g., off shore oil platforms and associated heavy equipment)
- Manufacturing of steel components for heavy construction equipment (e.g., industrial, mining, agriculture, and oil exploration)

Light Manufacturing Markets

Diversify and integrate the existing advanced manufacturing technologies in the Maquiladora industry into the local economy by creating partnerships with advanced manufacturing technology/research centers at UT-Austin and UTB/TSC to new markets:

- Manufacturing of alternative energy components (e.g., light solar panel structures, small wind energy structures, Biodiesel energy equipment and structures)
- Manufacturing of security, surveillance and countermeasures components (e.g., electronic devices, radar equipment, etc.)
- Diversify from single part conventional automotive manufacturing into integrated manufacturing of advanced alternative fuel vehicle components (e.g., Hybrid fuel cell battery) and aviation components.
- Manufacturing of products based on recycled materials and development of more efficient technologies for converting recyclables into raw materials (e.g., manufacturing recycling equipment and/or products based on recycled materials).

Logistics Markets

- Locate government border security logistics and transportation center at the port/airport hub
- Serve as service repair center for Offshore, Transportation, and security industrial markets
- Increase surface transportation market share
- Serve as alternate water transportation route for the Asian/Long Beach logistics and transportation market

Healthcare Markets

- Medical Tourism
- Increase share in funded markets (e.g. Medicaid and Medicare)

Tourism/Hospitality Markets

The tourism and hospitality cluster must coordinate its strategies with other clusters to offer customized tourism packages that fit the needs of the following markets:

- Ecotourism/birding
- Event tourism
- Conventional tourism
- Historic tourism
- Medical tourism

4. Recruit supporting industries in each cluster that present the greatest potential to increase the level of cluster integration and the locally retained share of economic output by minimizing leakages outside the region.

All Clusters

- Attract federal research labs and facilities to create a focal point for a research cluster
centered around UTB/TSC. Possible research areas include: environmental and natural resources studies, immigration and border security studies, border health and prevention, renewable energy, and advanced manufacturing technologies.

The use of research labs that combine the resources of UTB/TSC and the federal government with commercialization opportunities is a key element of this strategy. Specific areas include

**Heavy Manufacturing**

The heavy manufacturing cluster is one of the most promising economic development catalysts in the region. It has the potential for increasing the level of integration dramatically through targeted recruitment of key firms and integration of existing firms.

The following supporting industries represent the greatest potential for integrating the heavy manufacturing cluster and need to be priority targets for recruitment and/or expansion:

- Steel Mills. The introduction of a steel mill plant will have the single greatest impact on integrating this cluster and increasing the Regional GDP in four principal ways. First, it will provide a bridge for transforming scrap materials from existing ship and scrap metal operation into a finished raw material for existing heavy manufacturing cluster firms. Second, it will provide built-in incentives to help attract other targeted heavy manufacturing leading industries, such as wind turbine manufacturers, by minimizing raw material transportation and inventory costs. Third, it will create additional cross-cluster integration with the logistics cluster as a result of the increased demand for transportation and warehousing services at the Port of Brownsville and other supporting transportation services. Since it is a traded industry, it will create real wealth from the export of the finished products outside the region, which will provide stimulus for expansion for other supporting industries in the cluster.
- Metal Casting Facilities. There are no metal casting facilities in the region. All metal casting products need to be imported from outside the region yet there is a demand that will continue to increase as the heavy manufacturing cluster develops.

**Light Manufacturing**

The following supporting industries represent the greatest potential for diversifying the light manufacturing cluster and need to be priority targets for recruitment and/or expansion:

- Design and manufacturing of tools and dies
- Product design based on recycled materials
- Manufacturing nanotechnology tools and equipment
- Material testing facilities
- Incubators to facilitate the spin-off of new companies to serve new markets
- Strategic alliances with innovation centers

**Logistics**

The following supporting industries represent the greatest potential for integrating the logistics and transportation cluster and need to be priority targets for recruitment and/or expansion:

- Sea transportation companies
- High-tech logistic distribution centers
- Container carriers

**Healthcare**

The following supporting industries represent the greatest potential for expanding the healthcare market and need to be priority targets for recruitment and/or expansion:

- Specialized testing laboratories
- Geriatric health medical facilities
- Ambulatory medical services
- Adult specialized care centers
Tourism/Hospitality

The following supporting industries represent the greatest potential for expanding the tourism and hospitality market and need to be priority targets for recruitment and/or expansion:

- Convention complex operators
- Ecologic tourism agencies and service companies
- Historical tour companies

5. Improve planning and coordination of land use, infrastructure, and economic development activities among the community’s public institutions. Establish cooperative mechanisms for the joint prioritization and funding of key infrastructure improvements and program initiatives needed to trigger cluster development and integration.

One of the principal functions of the public sector is to plan, construct, and maintain the social overhead capital (infrastructure) necessary to attract the private sector investment necessary to support the community’s economic development and quality of life goals. There are a number of important reasons why cooperative mechanisms need to be established among public institutions for jointly prioritizing and financing critical infrastructure (transportation and utility) projects that are consistent with the community’s overall goals.

First, available public sector capital is limited and should be allocated to those projects that provide the highest return to the community’s overall goals whenever possible. Second, public sector funding capacities are interdependent, since they overlap a common taxpayer base. Issuance of bonds by one agency affects the bonding capacities of all other public agencies. Finally, there are many instances where the objectives of different entities have common overlap and pooling of resources may lead to greater benefits. This is especially true in cases where the financial requirements are beyond the scope of a single entity.

The following is a list of key infrastructure projects and program initiatives that have been identified for each of the targeted clusters, as part of the cluster workshops.

All Clusters

- Construct fiber optic ring infrastructure to provide high speed data transmission capacity and access
- Expand ITECC’s technical training, incubator, technology development, and technology transfer capacity (e.g., nanotechnology, biomedical, alternative energy)

Heavy Manufacturing

- Increase electricity capacity at the Port of Brownsville to accommodate large scale heavy manufacturing plants (steel mill, rolling steel plant)
- Improve water and waste water infrastructure at the port of Brownsville
- Construct dedicated shovel ready industrial park sites

Light Manufacturing

- Construct dedicated shovel ready industrial park sites
- Centers of excellence in emerging manufacturing industries

Logistics

- Create a detailed facilities plan for the port/airport area to create greater value and to attract private sector investment through a multi-modal/manufacturing HUB center system driven by internal rather than external demand. An important component of this initiative is the identification of current Port-owned property to be sold to the private sector and annexed by the City of Brownsville. Property can serve to raise the capital needed for infrastructure improvements and help bridge Brownsville’s critical tax gap.
• Construct East Loop from Los Tomates Bridge to the airport/port and extend to FM 511 and Hwy 77/83
• Increase depth of the Brownsville Navigation District ship channel and extend the Brownsville/SPI airport runway to 12,800 feet. Both of these projects are eligible for significant cost-sharing participation from the federal government and will lead to more efficient utilization of cargo capacities and lower unit shipping costs.

Healthcare

• Networking database center to merge medical data under a common platform to provide on-time data for strategic analysis and decision making, and to improve the efficiency and quality of service
• Centers of excellence

Tourism/Hospitality

• Networking database center to provide on-time data for strategic analysis and decision-making, and to improve the quality of service (e.g. available room capacity, visitors’ profile to identify market segments, seasonality analysis)
• Education and outreach facility with walking/bike trails and observation/lookouts to promote environmental awareness and ecotourism. This effort could be coordinated with the proposed land mitigation bank at the Port to leverage limited financial resources and exploit potential synergies.
• Build facilities at the historical and ecological sights to accommodate visitors

6. Target workforce skills development efforts that are suited to transition from a factor-driven to an investment driven economy and in support of the development and integration of the target cluster sector

All Clusters
• Expand capacity for collaboration between UTB/TSC and industrial clusters in applied research areas
• Create a workforce skills group under the education dimension to re-align workforce development programs to anticipate and respond to demand occupations based on the industry clusters

New emerging technologies in all clusters demand a higher technology skills set (e.g., IT, quantitative analysis, management science, simulations, and robotics). Traditional curriculum models require long lead times. The local educational system must be able to respond quickly to meet changing workforce skills requirements. This will require development of a just-in-time workforce model with continuous industry involvement.

General cluster skills that need to be addressed by this group include:

• Professional workforce skills: Accounting, Human Resource Management, Computer Science, Marketing, Finance, General Management, Tax services, and consulting services
• Technical workforce skills: Administrative clerks, computer operators, network developing and maintenance

Specific cluster workforce skills that will be addressed by the workforce group are listed below

Heavy Manufacturing

• Professional workforce skills: Electronics Engineering, Electric Engineering, Industrial Engineering, Material Resistance Engineering, Mechanical Engineering, Manufacturing Engineering, Quality control engineering, mold, tools, dies, and machinery design and manufacturing processes
• Technical workforce skills: Metal Casting, machine tool cutting, metal furnace, die and machine makers, patternmakers, and tool makers
Light Manufacturing

- Professional workforce skills: Electronics Engineering, Industrial Engineering, Mechanical Engineering, Manufacturing Engineering, Quality control engineering, mold and tools design and manufacturing
- Technical workforce skills: Computer Drafting and Design, Instrumentation, Machining, plastic injection, Manufacturing supervision, welders, machine and equipment operation and repair, material and product testing, assembling supervision

Logistics

- Professional Level: Inventory management databases, on-line purchasing systems, electronic data interchange systems, transportation management, warehousing management, inventory control management, Distribution Management, supply chain management
- Technical Level: Material and cargo moving machine operators, truck, heavy and tractor-trailer drivers, shipping, receiving, and traffic control clerks

Healthcare

- Health Professional Level: medical and Dentists doctors and nurses, especially in the geriatric medical field
- Health Technical Level: medical technicians, clinical laboratory technicians, Technical health care assistants, medical equipment technicians, therapists, nutritionists, chemists, dentists assistants

Tourism/Hospitality

- Professional Level: Marketing, Hotel management, Logistics, event management, and Conventional Management
- Technical level: Supervision and Manager assistants, Food Chefs, Food and Beverage workers, Desk clerks, Tourist and professional guides, event organizers, and Scenic and Sightseeing Transportation

7. Create a critical mass of resource talent

A substantial number of bachelor and masters degree graduates leave the region because of a lack of local employment opportunities. This exodus of talent is not compensated by the small number of talented high school graduate students from Mexico that are feeding science and engineering degree programs at UTB/TSC. This is the result of a coordination problem that has contributed to a regional human talent drain. Specific recommendations for reversing this trend include:

- **Target top 10% of local graduates for retention**
  - Implement identification and tracking program
  - Develop local internship work programs
  - Provide financial incentives to return (tuition in return for local service)

- **Recruit local past graduates**
  - Implement identification and tracking program
  - Develop a job information network to notify locals residing outside the region of available employment opportunities

- **Target top bilingual graduates from local Mexican high schools**
  - Implement identification and tracking program
  - Develop local internship work programs
  - Provide financial incentives to return (tuition in return for local service)

- **Create a sense of place through the downtown revitalization plan that is so critical to the retention of the talent class**

8. Attract outside capital from both Public and Private Sources
Financial modeling of Brownsville’s public sector indicates that the majority of the capital investments required to meet target levels of service within a reasonable time frame without raising taxes will have to come from the private sector.

- Establish grant writing training programs in coordination with the University
- Establish grant administration training and performance monitoring programs
- Set and monitor grant awards goals and targets for competitive grants
- Improve leverage over State and federal budgetary allocations by increasing voter participation (increased voter participation strategies are outlined in the Civic Element of the Plan)

9. Strengthen Inter-Institutional Cooperation through establishment of cluster organizational structure.

A detailed description of the organizational function and structure of the inter-institutional organizational is presented in the Implementation part of the Plan.

10. Increase Public Sector Efficiency

Establish task force subcommittee to identify and coordinate programmatic and operational cost efficiency measures within and between public sector entities. One specific area in particular that should be addressed in conjunction with the landuse plan is the development of annexation and de-annexation policies to address the critical challenge of low ad valorem capture.

Economic Impact of Sample Projects in each of the Selected Clusters

The economic impact of a set of selected projects is presented below to illustrate the potential benefits of cluster integration on Brownsville’s economy. At the same time, the results serve as a benchmark ROI (Return On Investment) to compare the viability of alternative investments. The analysis provides a relative measure of the effects of each cluster on the following indicators:

- Increases in per capita income
- Job creation
- Tax revenues
• Economic leaks
The results show the impacts of cluster integration and its magnifying effect on economic activities. The addition of new firms to the cluster generates benefits for the whole cluster through agglomeration and economies of scale. The cluster also reduces leakages which in turn results in more economic activity and wealth for the region.

The examples illustrated below are the type of preliminary screening analysis that will have to be performed to determine the initial feasibility of the various large-scale strategic initiatives outlined in this plan. Once an initiative passes the preliminary screening level analysis, a more detailed feasibility analysis would have to be performed before an investment can be committed.

Heavy manufacturing: Iron and Steel Mill

**Representative investment:** $1,500 million

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<th>Absolute Change</th>
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<td><strong>RGDP/Capita</strong></td>
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<td><strong>Property Tax Revenue</strong></td>
<td>$12,387,190</td>
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<td><strong>Sales Taxes</strong></td>
<td>$2,521,212</td>
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<td><strong>Fines and Fees</strong></td>
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<td><strong>Jobs</strong></td>
<td>4338</td>
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<td><strong>Average Industry Salary</strong></td>
<td>$81,657</td>
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<td><strong>Average Cluster Salary</strong></td>
<td>$53,226</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>New Average Income in Brownsville</strong></td>
<td>$21,778</td>
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</tr>
</tbody>
</table>

Figure 18. Heavy Industry: Steel and Iron Mill.

**Integration level:** 16.5%

Figure 18 summarizes the economic impact of the steel mill on the local economy. The steel mill will create 4,338 jobs: 730 direct, 1,525 indirect (within the cluster), and 2,083 induced, or outside the cluster. The steel mill will also generate an additional $12.4 million in property tax revenue for the City, a 36% increase over the current tax revenue, $2.5 million, or a 3.8% increase in sales tax revenue, and $1.1 million in fines and fees. The average salary for steel mill workers is $81,657, four times higher than the current average income in Brownsville. The average salary for the cluster (direct and indirect) is $53,226, 2.7 times the average income in Brownsville. The steel mill will raise average income in the city by $2,111, an improvement of 10.7%.
Light Manufacturing: Wind-power Turbine Plant

**Representative investment:** $20 million  
**Integration level:** 23.2%

Figure 19 shows that a $20 million investment in a wind power turbine plant in Brownsville will add $25 million annually to the City’s GDP and will increase average annual income by $145. The plant will create 273 jobs: 84 direct, 51 indirect, and 138 induced. The turbine plant will contribute $219,461 in property tax revenue to the City, $169,412 in sales tax revenue, and $74,026 in fines and fees. The average salary for wind turbine workers is $79,342, four times higher than the current average income in Brownsville. The average salary for the cluster is $63,730, three times Brownsville’s. The assembly of wind mill towers requires, on average, 250 tons of steel. The steel can be supplied by the steel mill and will represent an increase in demand for the steel mill. This will spur another round of

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<td>Property Tax Revenue</td>
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<td>Sales Taxes</td>
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<td>Jobs</td>
<td>273</td>
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<td>Average Industry Salary</td>
<td>$79,342</td>
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<td>Average Cluster Salary</td>
<td>$63,730</td>
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<td>New Average Income in Brownsville</td>
<td>$19,812</td>
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</tbody>
</table>

Figure 19. Light Manufacturing: Wind Power Turbine Plant.
economic activity and yield greater impact.

**Hospitality and Tourism: Convention Center**

**Representative investment:** $65 million  
**Integration level:** 70.1%

Figure 20 shows the economic impact of a $65 million convention center investment. The convention center will contribute $40 million to the City’s economy, which represents a 1.2% increase in the local GDP. The convention center will generate a total of 803 jobs: 450 direct, 123 indirect, and 230 induced. The convention center will contribute $409,683 in property tax revenue to the City, $97,400 in sales tax revenue, and $132,083 in fines and fees. The average salary for the convention center workers is $27,251. The average salary for the cluster is $27,515. The convention center will raise average income

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<td><strong>Fines and Fees</strong></td>
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<td><strong>Average Cluster Salary</strong></td>
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<td><strong>New Average Income in Brownsville</strong></td>
<td>$19,898</td>
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</table>

Figure 20. Hospitality and Tourism: Convention Center.
in the City by $231, or 1.2%.

**Healthcare: Ambulatory services**

**Representative investment:** $75.6 million.

**Integration level:** 80%

Figure 21 presents a summary of the impact of ambulatory services. An investment of $75.6 million in ambulatory services will create 443 jobs: 220 direct, 75 indirect, and 148 induced. Ambulatory services will also generate $568,516 in property tax revenue for the City, $97,400 in sales tax revenue, and $93,244 in fines and fees. The average salary for ambulatory services is $43,236, more than twice the current average income in Brownsville. The average salary for the cluster is $39,834.

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<td>Jobs</td>
<td>443</td>
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Figure 21. Healthcare: Ambulatory Services.
Logistics: Trucking Hub

**Representative investment:** $17.8 million.
**Integration level:** 86%

Figure 22 presents the economic impact on the local economy if $17.8 million is invested in a logistics trucking center. The trucking hub will create 197 jobs: 100 direct, 32 indirect and 65 induced or outside the cluster. The logistics center will contribute $171,415 in property tax revenue for the City, $53,308 in sales tax revenue, and $44,352 in fines and fees. The average salary in this industry is $44,595, more than twice the current average income in Brownsville. The average salary for the cluster is $43,709.

### Economic Evaluation

The results of the previous section were used to develop an economic model to assess the impact of cluster development. Specifically, necessary investment levels and time frames were explored to meet two key economic target indicators: level of service ($550) and per capita income.

Depending on the assumptions made about growth rates in residential/non-residential ad valorem and sales tax growth rates, bonding capacity and the level of cluster integration, the following general conclusions can be gleaned.

#### SCENARIO A: No Cluster Development

This scenario assumed current growth trends continue, but adds an additional aggressive debt rate of approximately $100 million every five years. Under these assumptions, it would take approximately 20 years to reach the $550 target level of service and sales tax revenues free up from

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<td>Average Industry Salary</td>
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<tr>
<td>New Average Income in Brownsville</td>
<td>$19,732</td>
</tr>
</tbody>
</table>
the general fund for other uses (e.g., quality of life and economic development). Unless significant transformation occurred in the economy, no significant increases in the per capita income above current trend are likely to occur.

**SCENARIO B: Cluster Development (Current Integration Level)**

This scenario assumes the same conditions as scenario A but adds the implementation of a cluster targeted development strategy with the average productivity measures of all five clusters. Additionally, the current private sector non-residential investment trend is doubled by an additional average of $250 million/year as a result of the cluster integration. Under these assumptions, it would take just over 11 years to reach the $550 target level of service and free up sales tax revenues would be freed up from the general fund for other uses. However, unlike the previous scenario, per capita income would increase by close to 75%, to approximately $20,000.

**SCENARIO C: Cluster Development (Increased Integration)**

This scenario assumes the same conditions as scenario B but adds a higher level of cluster integration/productivity and keeps the investment level the same. Under these assumptions, it would take just over 11 years to reach the $550 target level of service and free up sales tax revenues from the general fund for other uses. However, this time, per capita income would almost double, to approximately $22,000.

Changing assumptions will change the timing results and the investment levels to a certain extent, but the main conclusions remain:

In order to create real wealth that leads to significant increases in per capita income, it is necessary to focus on targeted traded clusters and attract private investment. The investments required are well beyond the capacity of the public sector even at aggressive debt levels.

The only way to attract private sector investment is by increasing the competitiveness of the community as outlined in the Comprehensive Plan.

**Cross-Cluster Integration Example (Heavy Manufacturing - Logistics - Light Manufacturing)**

In order to illustrate the potential impact of cross-cluster integration, consider the heavy manufacturing sector located at the Port. One principal focus of the heavy manufacturing cluster is on the production of renewable energy, specifically, wind turbine manufacturing. The cluster includes supporting suppliers from the existing scrap metal industry and would build on the existing offshore platform technology. However, the cluster has significant potential for additional cross-cluster integration with logistics and light manufacturing clusters. This effect would be catalyzed by the introduction of a steel mill (approximate investment of $1.5 billion). The steel mill would bring the potential to detonate economic development in the area.

The steel mill would provide the 250 tons of raw steel required for each wind turbine, increase the demand for the existing scrap metal sector, and attract a number of other supporting industries (e.g., metal casting) that would benefit from the reduced raw material transportation and inventory costs. Just as importantly, this cluster would provide the internal demand generators for transportation/logistics services that will create the economies of scale necessary to make the port/airport area a strong logistics hub.

Figures 23 and 24 show estimated economic impacts of this cluster development to the local economy under both current and future levels of integration. The most notable impacts are property tax increases of $13 and $18 million annually. This would represent between a 40 to 60% increase over current ad valorem tax levels and a direct increase in the percent contribution of ad valorem taxes to the General Fund from the current 20% to between 36% and 42%, depending on the level of integration. Just as importantly, the Level of Service would increase from the current $480 to between $519 to $546, and RGDP would increase between 20%-30%.
Figure 23. Cluster Integration: Current.

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>TOTAL ($)</th>
<th>per $1M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>$1,537,800,000</td>
<td></td>
</tr>
<tr>
<td>Property Taxes/yr</td>
<td>$12,778,085</td>
<td>$8,599</td>
</tr>
<tr>
<td>Sales Taxes/yr</td>
<td>$2,651,154</td>
<td>$1,724</td>
</tr>
<tr>
<td>Fines and Fees/yr</td>
<td>$1,194,280</td>
<td>$777</td>
</tr>
<tr>
<td>Jobs</td>
<td>4,808</td>
<td></td>
</tr>
<tr>
<td>RGDP per capita</td>
<td>$2,321</td>
<td></td>
</tr>
<tr>
<td>RGDP</td>
<td>$394,862,514</td>
<td>$256,602</td>
</tr>
<tr>
<td>% Increase RGDP</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

Figure 24. Cluster Integration: Future.

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>TOTAL ($)</th>
<th>per $1M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>$1,537,800,000</td>
<td></td>
</tr>
<tr>
<td>Property Taxes/yr</td>
<td>$17,981,204</td>
<td>$11,693</td>
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<tr>
<td>Sales Taxes/yr</td>
<td>$3,746,069</td>
<td>$2,436</td>
</tr>
<tr>
<td>Fines and Fees/yr</td>
<td>$1,277,483</td>
<td>$831</td>
</tr>
<tr>
<td>Jobs</td>
<td>6,651</td>
<td></td>
</tr>
<tr>
<td>RGDP per capita</td>
<td>$3,326</td>
<td></td>
</tr>
<tr>
<td>RGDP</td>
<td>$585,450,668</td>
<td>$367,701</td>
</tr>
<tr>
<td>% Increase RGDP</td>
<td>30%</td>
<td></td>
</tr>
</tbody>
</table>

Implementation

Figure 25 on the following page is a summary of the recommended strategies for the economic development plan.
### Figure 25. Recommended Strategies in Economic Development Plan

<table>
<thead>
<tr>
<th>Vision Themes</th>
<th>Strategy</th>
<th>Priority</th>
<th>Responsible Party</th>
<th>CIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Key Issues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Factor Driven Economy based on low paying jobs and border location</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Among Lowest Per Capita Incomes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low Educational Attainment</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Low Municipal Level of Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low % Ad Valorem Tax Revenue contribution to General Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low Labor Participation Rate</td>
<td></td>
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<tr>
<td></td>
<td>Fastest growing jobs are in non-traded low paying industries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low Municipal Level of Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low Per Capita Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of General Fund Budget Generated by Ad Valorem Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vision Themes</th>
<th>Strategy</th>
<th>Priority</th>
<th>Responsible Party</th>
<th>CIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.1. Implement an Industrial Cluster Initiative to focus on traded clusters in industries where Brownsville has the greatest competitive advantages and focus on increasing their internal and external integration: Heavy Manufacturing, Light Manufacturing, Logistics, Health Care, Hospitality and Tourism</td>
<td>High</td>
<td>Task Force Clusters</td>
<td>GBIC BEDC Administrative (TBD)</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.2. Implement a rapid response workforce skills training group to respond quickly to the educational/workforce skill demands of the cluster initiative</td>
<td>High</td>
<td>Task Force Clusters</td>
<td>UTB/TSC ITEC BISD Administrative (TBD)</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.3. Construct fiber optic ring infrastructure to provide high speed data transmission capacity and access</td>
<td>Medium</td>
<td>Task Force Clusters</td>
<td>UTB/TSC ITEC BISD $10M</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.4. Expand ITEC’s technical training, incubator, technology development and technology transfer capacity (e.g., nanotechnology, biomedical, alternative energy)</td>
<td>High</td>
<td>Task Force Clusters</td>
<td>UTB/TSC ITEC BISD Administrative (TBD)</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.5. Heavy Manufacturing Cluster Initiative: Create a heavy manufacturing/logistics industrial cluster hub at the Port of Brownsville Industrial Node</td>
<td>High</td>
<td>Heavy Manufacturing Cluster</td>
<td>GBIC BEDC Port of Brownsville Brownsville/SPI Airport</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.5.1 Market Focus: Manufacture of steel components for renewable energy (wind turbines) products and energy exploration</td>
<td>High</td>
<td>Heavy Manufacturing Cluster</td>
<td>GBIC BEDC Port of Brownsville Brownsville/SPI Airport</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.5.2 Targeted Integrating Industries: Integrate existing scrap metal and heavy manufacturing facilities at the Port of Brownsville. Recruit steel mills and metal casting facilities.</td>
<td>High</td>
<td>Heavy Manufacturing Cluster</td>
<td>GBIC BEDC Port of Brownsville Brownsville/SPI Airport</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.5.3. Cross-Cluster Integration: Increase internal demand for logistics services</td>
<td>High</td>
<td>Heavy Manufacturing Logistics and Infrastructure Cluster</td>
<td>GBIC BEDC Port of Brownsville Brownsville/SPI Airport City of Brownsville</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.5.4. Critical Infrastructure: Increase electrical generation and transmission capacity for the Port of Brownsville. Related transportation improvements are outlined in the logistics cluster element.</td>
<td>High</td>
<td>Heavy Manufacturing Cluster</td>
<td>GBIC BEDC Port of Brownsville Brownsville/SPI Airport $300M</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.5.5. Support: Develop site development planning including roadways, utilities, industrial pads, and multimodal links for the logistics/manufacturing hub at the Port/Airport Node. This will create value to municipal and port owned property that can be captured through sales to the private sector and result in increased funding capacity for infrastructure improvements and increased property tax revenues to the City.</td>
<td>High</td>
<td>Heavy Manufacturing Cluster</td>
<td>GBIC BEDC Port of Brownsville Brownsville/SPI Airport City of Brownsville $150k</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.6. Light Manufacturing Cluster Initiative: Leverage and diversify existing high technology manufacturing capacity (e.g., robotics and nanotechnology) in the maquila industry</td>
<td>High</td>
<td>Light Manufacturing Cluster</td>
<td>GBIC BEDC City of Brownsville</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.6.1 Market Focus: Manufacture of alternative energy components (e.g., light solar panel structures, small wind energy structures, Biodiesel energy equipment and structures); Manufacture of Nanotechnology components (e.g., alternative energy, solar panels, electronic and electric tools and equipment) components; Diversify from single parts conventional automotive manufacturing into integrated manufacturing of advanced alternative fuel vehicles components (e.g., Hybrid fuel cell battery)</td>
<td>High</td>
<td>Light Manufacturing Cluster</td>
<td>GBIC BEDC City of Brownsville</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.6.2. Targeted Integrating Industries: Recruit nanotechnology tools and equipment manufacturers; Material testing laboratories and research facilities.</td>
<td>High</td>
<td>Light Manufacturing Cluster</td>
<td>GBIC BEDC City of Brownsville</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.6.3. Cross-Cluster Integration: Increase internal demand for logistics services</td>
<td>High</td>
<td>Light Manufacturing Cluster</td>
<td>GBIC BEDC City of Brownsville</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.6.4. Critical Infrastructure: Construct shovel ready industrial park sites</td>
<td>High</td>
<td>Light Manufacturing Cluster</td>
<td>GBIC BEDC City of Brownsville</td>
</tr>
<tr>
<td>Prosperous Efficient Sustainable</td>
<td>Ec.6.5. Support: Develop conceptual site development plan including roadways, utilities, and industrial pads for industrial park sites. This will create value to municipal and port owned property that can be captured through sales to the private sector and result in increased funding capacity for infrastructure improvements and increased property tax revenues to the City.</td>
<td>High</td>
<td>Light Manufacturing Cluster</td>
<td>GBIC BEDC City of Brownsville $150k</td>
</tr>
</tbody>
</table>
Economics

Key Issues

Factor Driven Economy based on low paying jobs and border location

Low Educational Attainment
Low Municipal Level of Service
Low Labor Participation Rate
High concentration of employers in non-traded low paying industries

Fastest growing jobs are in non-traded low paying industries
Low Municipal Level of Service
Low Poverty Rates

General Fund Budget

% of General Fund Budget Generated by Ad Valorem Taxes
Among Lowest Per Capita Incomes

Per Capita Income
Low Relative Cost of Living

Indicators

General Fund Budget

Themes Strategy Priority Responsible Party Task Force Public Sector CIP
Prosperous Efficient Sustainable Ec.7. Logistics Cluster Initiative: Expand existing markets and leverage capacity and efficiency improvements on new internal demand generated by heavy manufacturing and light manufacturing clusters. High Logistics Cluster GBIC BEDC GBIC BEDC Port Airport City of Brownsville $56 M
Ec.7.1 Market Focus: Locate government border security logistics and transportation center (e.g., DHS, Cost Guard) at the port/airport hub; Serve as service repair center for Offshore, Transportation, and security industrial markets; Increase surface transportation market share; Serve as alternate water transportation route for the Asia/Long Beach logistics and transportation market. High Logistics Cluster GBIC BEDC GBIC BEDC Port Airport City of Brownsville $60-80M
Ec.7.2 Targeted Integrating Industries: Container carriers High Logistics Cluster GBIC BEDC GBIC BEDC Port Airport City of Brownsville
Ec.7.3. Cross-Cluster Integration: Logistics support for Heavy Manufacturing and light Manufacturing Clusters High Logistics Cluster Heavy Manufacturing Cluster GBIC BEDC GBIC BEDC Port Airport and MPO RMA City of Brownsville
Ec.7.4.1 Critical Infrastructure: Construct East Loop from Veterans Bridge to Logistics/Manufacturing Hub at Airport/Port Industrial Node. High Logistics Cluster Heavy Manufacturing Cluster GBIC BEDC GBIC BEDC Port Airport MPO RMA City of Brownsville
Ec.7.4.2 Critical Infrastructure: Port dock facility improvements and rehabilitation High Logistics Cluster Heavy Manufacturing Cluster GBIC BEDC GBIC BEDC Port Airport MPO RMA City of Brownsville $56 M
Ec.7.4.3 Critical Infrastructure: Extend Airport Runway High Logistics Cluster Heavy Manufacturing Cluster GBIC BEDC GBIC BEDC Port Airport MPO RMA City of Brownsville
Prosperous Efficient Sustainable Ec.8. Health Care Cluster Initiative: Leverage existing integration of health care cluster by expanding existing funded markets and developing new markets High Health Cluster GBIC BEDC
Ec.8.1 Market Focus: Increase share in funded markets (e.g. Medicaid and Medicare); Medical Tourism. High Health Cluster GBIC BEDC
Ec.8.2 Targeted Integrating Industries: Adult specialized care centers and Ambulatory care centers High Health Cluster GBIC BEDC
Ec.8.3. Cross-Cluster Integration: Integrate Medical Tourism sector with the Hospitality and Tourism cluster. High Health Cluster GBIC BEDC
Prosperous Efficient Sustainable Ec.9. Hospitality and Tourism Care Cluster Initiative: Expand existing Event Tourism markets and develop new markets in the historic, convention and eco-tourism areas. High Hospitality Cluster GBIC BEDC GBIC BEDC Convention and Visitors Bureau Chamber of Commerce
Ec.9.1 Market Focus: Eco-Tourism/Binding: Event Tourism (e.g., Latin Jazz Festival); Convention Tourism; Historic Tourism; and Medical Tourism. The latter two should be coordinated with the Downtown Revitalization Plan and the Healthcare cluster strategies. High Hospitality Cluster GBIC BEDC GBIC BEDC Convention and Visitors Bureau Chamber of Commerce
Ec.9.2 Integrating Industries: Recruit Convention Complex operators; Eco-Tourism travel agencies and service companies High Hospitality Cluster GBIC BEDC GBIC BEDC Convention and Visitors Bureau Chamber of Commerce
Ec.9.3. Cross-Cluster Integration: Cross cluster integration with the Medical cluster. High Hospitality Cluster GBIC BEDC Convention and Visitors Bureau Chamber of Commerce
Ec.9.4. Critical Infrastructure: Education and outreach facility with walking/bike trails and observation/lookouts to promote environmental awareness and ecotourism High Hospitality Cluster GBIC BEDC Convention and Visitors Bureau Chamber of Commerce
Ec.9.5. Support: Perform feasibility study for hotel/convention center. High Hospitality Cluster GBIC BEDC Convention and Visitors Bureau Chamber of Commerce
Ec.9.6 Leverage Hotel/Motel Tax revenue to support marketing efforts to expand and develop targeted markets High Hospitality Cluster GBIC BEDC Convention and Visitors Bureau Chamber of Commerce
Prosperous Efficient Sustainable Ec.10. Create a critical mass of talent by targeting and recruiting the best local talent in the region including Mexico. High All Clusters BISD UTB
Prosperous Efficient Sustainable Ec.11. Increase supply of outside sources of capital High All Clusters
Ec.11.1 Create a local Angels Network High All Clusters
Ec.11.2 Increase amount of State and Federal State Awards High All Clusters Civic Engagement Task Force Committee
Ec.11.3 Improve political leverage by increasing local voter participation. Coordinate with Strategy C.3. High All Clusters Civic Engagement Task Force Committee
Prosperous Efficient Sustainable Ec.12 Implement a municipal efficiency review process to identify and implement cost efficiency improvements within and between public sector entities. High Public Sector Cluster

Economics

Key Issues

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Among Lowest Per Capita Incomes

Per Capita Income
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General Fund Budget

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Ec.8.3. Cross-Cluster Integration: Integrate Medical Tourism sector with the Hospitality and Tourism cluster. High Health Cluster GBIC BEDC
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