



By Troy Anderson

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For the big move, Goya Foods CEO Bob Unanue brought his Texas cowboy hat all the way from his company headquarters in Secaucus, N.J. Taking the driver's seat, with vice president Evelio Fernandez riding shotgun, the head honchos of America's largest Hispanic-owned food company took their last big rig out onto the open Texas highway to drive to their new facility in Brookshire, a suburb of Houston. When they arrived, Unanue backed into the loading docks as employees clapped and welcomed the men to the new 360,000-square-foot manufacturing and distribution facility. "It was kind of a symbolic thing," Fernandez says. "He has a commercial driver's license, so we drove the truck from our former (115,000-square foot facility) in Houston to the Brookshire location. He drove a load of product to the new location. It was a lot of fun." →

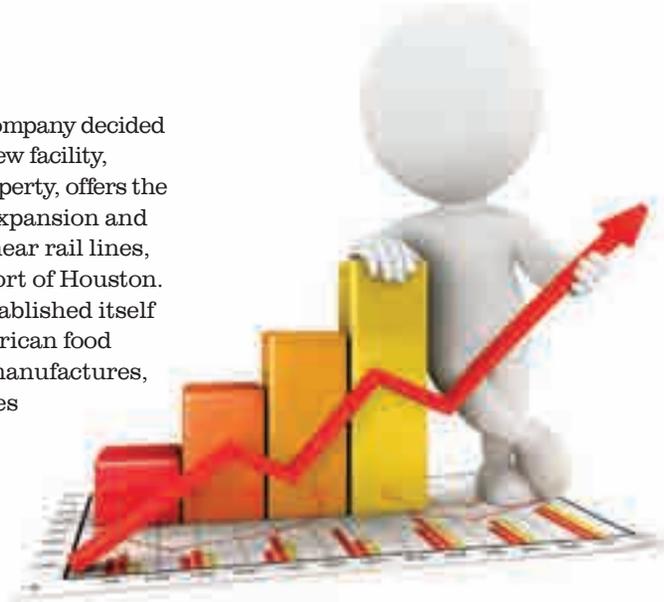
Fernandez says the company decided to relocate because the new facility, located on a 130-acre property, offers the potential for even more expansion and is strategically located near rail lines, Interstate 10, and the Port of Houston.

The company has established itself as a leader in Latin American food and condiments. Goya manufactures, packages, and distributes more than 2,200 high-quality food products from the Caribbean, Mexico, and Central and South America.

“We are going to start canning our beans in Texas,” says Fernandez. “We’ll be canning beans, whole beans and refried beans. The location where we purchased the property used to be rice fields, so there is plenty of water (in two nearby aquifers), which we will need for canning.”

In deciding to construct its first manufacturing facility in Texas, Fernandez also says the company took into account just how friendly and welcoming Texas is to businesses.

“It’s easier to do business here than on the West Coast in California,” Fernandez says. “We seem to get things done here faster, doing it the right way, without cutting corners.”



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Hot Spot in Relocations and Expansions

Goya Foods is just one of thousands of companies that have relocated or expanded operations in Texas in the last decade—a phenomenon that has helped further energize the economy, jump-start job growth, and transform the Lone Star state into what governor Rick Perry calls an “epicenter for economic prosperity in this country.”

Earlier this year, *Site Selection* magazine named the Houston-Baytown-Sugar Land Metropolitan Statistical Area as the 2012 “Top Metro” in the nation for corporate

relocations and expansions. This is the third time in four years that the Houston area has taken the number-one spot. In addition to the greater Houston metro area being named the “Top Metro,” the state of Texas earned the top spot in the magazine’s state rankings.

“I’m proud to see Texas claim the top spot for new and expanded corporate facilities over the last year,” Perry says. “This is further proof that Texas continues to be a beacon of opportunity for entrepreneurs and job creators looking for a skilled and competitive workforce

and freedom from taxation, over-regulation and over-litigation.

“We’ve worked hard to make Texas the best state in the nation to live, work, raise a family, and own a business, and we’ll continue strengthening the economic pillars that have helped us become a national example of job creation and economic strength.”

Over the last decade, Texas has become the nation’s number-one job creator. While many states are still reeling from the aftereffects of the Great Recession, the Texas recession was relatively mild.

Texas employment fell by more than 422,000 during the recession, reaching its low point in December 2009, but it returned to its pre-recession peak in November 2011, according to a recent report by Susan Combs, Texas Comptroller of Public Accounts. By June 2013, the state had added an additional 502,700 jobs. In the United States as a whole, only 75 percent of recession-hit jobs were recovered by June 2013. This summer, the unemployment rate in Texas was 6.5 percent, compared to 7.3 percent nationwide.

Texas and the nation returned to economic growth in 2010 and 2011, respectively. In 2012, the Texas gross domestic product grew by 3.2 percent, compared with 2.2 percent for the United States.

Job growth, sales tax collections, and building permits all signal that the Texas economy continues to outpace the national recovery, Combs wrote.

Not surprisingly, Texas has also been deemed the best state to do business in.

In May, more than 700 CEOs around the nation ranked Texas as the best state to do business in for the ninth year in a row in *Chief Executive* magazine’s annual “Best and Worst States” survey.

In August, *Business Facilities* magazine ranked Texas as the country’s “Best Business Climate.” In addition to topping the list for the best business climate, the report gave Texas the highest marks for infrastructure, natural-gas production, free-trade-zone activity, and wind-power capacity. Texas

placed in the top 10 for data centers, the aerospace/defense industry, biotechnology employment, nuclear power generation, credit quality, and renewable-energy capacity.

“Employers across the country know the Texas model works,” Perry says. “Our low taxes, smart regulations, skilled workforce, and

fair courts have created an economy that offers businesses the best chance at success. These principles have helped us create one-third of the net new jobs in the nation over the past ten years, providing more opportunity for hardworking families.”

Bill Hammond, president of the Austin-based Texas Association of



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“If you are running a business, you want to be in a state that is growing, and Texas certainly offers that,” Hammond says.

Population

Currently, Texas has about 26 million residents. But as people continue to move to Texas, the population is expected to increase significantly in the years ahead.

“The state population is expected to grow to 35 million over the next 20 years,” says Fred Welch, vice president of economic development at the 2,100-member Greater Houston Partnership. “Even Houston is looking at a bump in the population, adding 1 to 1.5 million people in the next 15 years. So, it’s just a good, positive outlook.”

Ideal Business Climate

Will Newton, executive director of the Texas office of the National

Federation of Independent Businesses, says Texas is an ideal location for business relocations and expansions because it is centrally located in the United States.

“Also, we have major ports in Texas and great transportation infrastructure here,” Newton says.

Bill Gilmer, director of the Institute for Regional Forecasting at the C. T. Bauer College of Business at the University of Houston, says that Texas, as the headquarters of the nation’s energy industry, is an attractive place for workers.

Housing costs are low, certainly compared to the rest of the country, Gilmer says.

“Also, we never had the price bubble that the rest of the country experienced, so there is no need to wait for prices to fall,” Gilmer says.

Texas also offers many high-paying jobs, especially those in the energy industry. Many of these are

Business, which represents 4,000 corporations and 200 chambers of commerce, says Texas has become a very attractive place for business relocations or expansions for a number of reasons.

“I think it’s about low taxes and reasonable, business-friendly regulations,” Hammond says. “I think it’s about the low cost of living. Texas is a great place to move to, and people can afford to buy a house and raise a family and have a great life.

For all those reasons, Hammond says the state is growing by about 1,500 people a day.

high-tech jobs that often pay twice as much as a typical job in the state, Gilmer says.

However, Gilmer says he has seen a bit of a slowdown in job growth recently. “That’s from the torrid pace that we really couldn’t sustain,” Gilmer says. “We’ve seen energy, upstream energy, exploration for oil and the shale boom—the frantic edge has really come off the search for oil and natural gas.”

Gilmer explains that the price for natural gas collapsed in late 2011, and he also notes that over the past year the number of oil rigs searching for oil fell 13 percent. “It’s depressed a lot of the margins,” Gilmer says. “The profits aren’t quite what they were before for the oil service companies. They are not hiring in the oil and gas business like they were previously.”

As he looks to the future, and the pace of business relocations and expansions in Texas, Gilmer says a lot will depend on the price of oil. “That’s just sort of the bottom line,” Gilmer says. “The price of oil needs to be about \$65 a barrel. As long as the price of oil stays above that, we can justify drilling into oil shale, going offshore for deep-water exploration and into Canada. If the price falls below \$65, all bets are off. It will get harder and harder to justify exploration.”

Business Incentive Programs

Another factor that has contributed to Texas’s reputation as a good place for business relocations and expansions involves its business-incentive programs. Since 2003, the Texas Enterprise Fund has awarded more than \$498 million to about 100 companies. Since 2005, the Emerging Technology Fund has awarded more than \$200 million to 140 start-up companies, and another \$216 million in research funds and matching grants.

At Governor Perry’s request, the Texas Enterprise Fund was established to help attract new jobs and investment to the state. As the largest “deal-closing” fund of its kind in the nation, the fund continues to attract businesses to Texas. The fund is used only

as a final incentive tool where a single Texas site is competing with another viable out-of-state option. To date, the fund has brought more than 56,000 jobs to the state and generated more than \$14.7 billion in capital investment, Perry says.

The Emerging Technology Fund was created to provide Texas

with an “unparalleled advantage in the research, development, and commercialization of emerging technologies.” The grants are used to help companies take ideas from concept to development to the marketplace and help Texas’ higher education institutions recruit the best research talent in the world.

In recent months, though, the incentives have generated controversy.

The matter has become an issue among the candidates for governor in 2014. Governor Perry announced in July that he does not intend to seek a fourth full term next year. Shortly after he made the announcement, attorney general Greg Abbott announced his 2014 bid for governor and made comments some interpreted as critical of the business-incentive programs.

“There has been quite a bit of dissatisfaction among Republicans with how the programs have actually been working,” says Mark Jones, the Jamail Chair in Latin American Studies and a professor and chair of the Department of Political Science at Rice University. “There is one group that views it as corporate welfare and doesn’t believe the government should be involved in it.”

Others, though, view it as good for the state economy and the business community.

Welch says the business-incentive programs have a good record of attracting businesses to the state. “I think they have contributed greatly to the expansion of businesses coming



For businesses looking to relocate or expand in Texas, taxes are an important consideration. Texas has no state income tax. That makes a big difference for many business owners, especially ones in states with 8 to 10 percent state income tax rates...

into Texas, and to a great extent helped us in working with existing businesses that have invested here and continued to grow and expand,” Welch says. “We hope the merits of those programs are strong enough that the state will continue them. None of them are up for any type of sunset in the next two years, but they are still subject to the (machinations) of the state legislature.”

The business-incentive programs, Gilmer says, force government agencies to compete for business. “If you come to Texas or any other state and are looking to relocate, and you are going to create jobs, once you put capital on the ground, you don’t want to leave yourself at the

mercy of the state in terms of its tax environment,” Gilmer says. “So forcing states to negotiate with businesses for sort of a long-term deal on taxes and stability of taxes—I’m not sure that’s altogether a bad thing.”

For businesses looking to relocate or expand in Texas, taxes are an important consideration. Texas has no state income tax. That makes a big difference for many business owners, especially ones in states with 8 to 10 percent state income tax rates, Hammond says. “When decisions are made about where to relocate, that weighs heavily on each and every one of these executives who are making the decisions,” Hammond says.

But business associations do have concerns about other taxes in Texas, especially high property taxes. And the way the state handles property, sales, and business taxes to finance services, particularly education, has drawn criticism too. In the last legislative session, Texas lawmakers, though, gave taxpayers \$1.363 billion in tax relief, according to the Texas office of the NFIB. Of that amount, \$710 million is the amount of “relief” from Texas’s onerous franchise tax, according to the NFIB.

“Despite how imperfect our tax structure is and how high property taxes are, we are still a lot better off than most states,” says Laura Hoke, the communications director at the Texas office of the NFIB.

Small businesses in the state need to band together to maintain reasonable regulations and keep taxes low, Newton says. “The big-business community, of course, has their lobbyists and people working in Austin to get their side of the story heard,” Newton says. “So the small-business community needs to work through an organization so they can band together to make sure the small businesses, which constitute the majority of the job creators in the state, get their fair shake in the state capital.”

As Goya Foods begins canning beans at its new facility in Brookshire, Fernandez couldn’t be happier about how the expansion project has positioned the company for a profitable future.

The company has 11 distribution centers in the United States and a cannery in New York that serves the same function as the new facility in Brookshire. Its other canneries are located in Puerto Rico and the Dominican Republic.

“This was important for the company logistically,” Fernandez says. “Most of the product we’ll be manufacturing in this facility is [intended] to ship to surrounding states and the western United States, basically from the Mississippi River west. Now, instead of manufacturing in Puerto Rico and shipping it across the country, this is a better location to ship our products to the emerging markets, including the West Coast.”

The project will help the company remain competitive in the decades ahead, Fernandez says.

“Even though the company has been around for 77 years, we still have so much to do in the western part of the country. That’s one of the reasons why we purchased the 130-acre property. We see this location as very strategic for the future growth of Goya Foods.”**N**

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