Starting Up Houston: How is Houston’s Startup Community Changing its Identity?

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Startup companies are an essential part of economic growth in the Information Age because of the technological advances they bring and marketplace shifts they often spur. Startups are high-growth technology companies that can either seek to achieve an “exit” or continue to grow on their own. An “exit” can mean an IPO or an acquisition by a larger firm. Startups can include anything from technically innovative electric car companies such as Tesla to consumer-based web apps like Twitter. These types of companies are the cornerstone of the human-capital, education based economy. They leverage technology to grow more quickly, generate more revenue, and create jobs. They are often high-risk endeavors that offer the potential of great wealth — an attractive prospect to educated people entering the workforce. A strong startup economy thus results in a younger, more vibrant city that draws investment into underdeveloped areas and creates a more coherent urban space. As young people move into a city and the demand for housing increases, new residential and commercial areas often develop to meet this demand. While this increase in housing demand often results in gentrification, it also creates opportunity for economic mobility. Most importantly, a healthy startup ecosystem is essential to a successful economy overall in the 21st century. 100,000 energy workers in Texas have lost their jobs since 2014 (Accenture, 2017). The oil and gas industry, upon which Houston was built, will only continue to decline in the coming years. The innovation economy will drive growth and create the jobs of the future. For every high-tech, high-education job created at a startup, five more jobs are eventually created (Accenture, 2017).

In Triumph of the City, Edward Glaeser argues that human capital, rather than natural resources or infrastructure, is the key to growth in the new Information Age. As technology advances, companies with the
smartest people and most cutting edge technology advance. As the Industrial Age came to an end, older coastal cities such as New York and San Francisco capitalized on their human-scaled, pre-automobile urban cores to draw educated young people and create centers of innovation. Rust belt cities such as Cincinnati and Detroit have also reinvented themselves by fostering successful innovation ecosystems (Glaeser, 2012).

Colloquially, a city is known to have a successful startup ecosystem when it reaches critical mass. We will define critical mass as a threshold of activity that causes the startup ecosystem to be self-sustaining, reaching a so called “virtuous cycle.” A virtuous cycle forms when there are enough successful entrepreneurs to invest in other startups and fund programs like accelerators and incubators (Startup Genome, 2017). In order to evaluate Houston’s ecosystem we had to look at the factors that go into an ecosystem reaching critical mass. This includes talent (having enough human capital to create these startups), resources (having both the funding and the educational programs to create a successful startup), and collisions (making sure talent and resources can interact with each other).

Methods

First, we look at the history of Houston, and how that places our city in a unique position to create a startup economy. Then, we evaluate the efforts entrepreneurs are making to reach critical mass in Houston. Finally, we look towards the future as we analyze the cities Houston is in competition with, our expectations for the future, and our recommendation for success. To do this, we conducted a literature review, created a survey for startup founders in Houston, attended events at Station, McNair, and the Liu Idea Lab for Innovation and Entrepreneurship and had conversations with people who are part of Houston’s entrepreneurship ecosystem who attended these events.

Our survey had 33 respondents, all founders of startups in Houston. We created a google survey with eighteen questions covering topics
such as diversity, transportation to work, location of startup, industry, and long term plans for the company. The survey was distributed over slack channels “Station Members,” “Rice Entrepreneurship,” “OwlSpark,” and the “Houston Startups” Facebook groups. The survey was open for a two week period in November 2017.

It is important to acknowledge that the survey respondents and people we spoke to throughout our research were accessible to us through the “hubs” online and offline that strive to create a community of entrepreneurs in Houston. We had no access to or interaction with startup founders that are not part of these communities.

**History of Houston's Economic Development**

Houston has been shaped by a resource-driven and individualistic economic environment that brought it great success in the Industrial Era. Houston began as a small settlement in 1836. It was only at the turn of the 20th century, when the Great Storm of 1900 devastated Galveston and oil was discovered in Beaumont, that Houston gained the resources and economic primacy to become a premier American city (Klineberg, 2017). The availability of land and oil in early Houston drew people from around the country who sought unfettered economic opportunity. Houston became an Industrial Age boomtown as the burgeoning auto industry raised the price of oil and the newly dredged ship channel became a major American port. The city developed a business-minded ethos in which nonexistent zoning laws created a city uniquely shaped by industry. Houston became a sprawling city as wealthy companies and individuals built whatever they wanted wherever they wanted. As Houstonians continued to build outward, this sprawl became connected by countless roads and highways that dwarfed the small, pre-automobile core of the city. Houston's single-minded focus on oil and industry created a city defined by the Industrial Age.

In 1982, the price of a barrel of oil fell by more than 50 percent and Houston's economy came close to collapse (Klineberg, 2017). At the same time, increasing globalization and automation of industries meant
the manufacturing jobs that built Houston were leaving American cities. As technological advancement grew more impactful, the American economy was transitioning to a new Information Age in which educated service and technology workers, rather than natural resources, determined economic success. Increasingly, companies that succeed in this new age are those that bring together the greatest talent to collaborate on the most cutting-edge ideas. As a city built upon industrial enterprise and an abundance of oil, Houston has struggled to become a competitor in this modern knowledge-based economy. These oil companies were formed by a “winner-takes-all” mentality -- whoever found the oil and could mine it would make the most money out of the liquid gold. However, the new innovation economy is no longer based off materials but rather depends on the creation of new ideas. Start-ups depend on collaboration and exchange of ideas, no one person is responsible for successful innovation. Coming from a history of uninhibited, unplanned, and individualistic growth, Houston faces a unique challenge in trying to navigate a sector based on collaboration, communication, and innovation. Its history makes it ill-fit to accommodate the talent, resources, and density that are essential to a strong innovation economy.

Problems

One of Houston's biggest problems is its struggle to draw the raw talent that other large American cities do. Its historically pro-growth mindset has resulted in a sprawling and automobile-dependent city that is unattractive to the young educated people that drive innovation. Fewer than 7 percent of Houston city residents walk, bike or take transit to work but the Kinder Houston Area Survey found that 56% of respondents want to live in a mixed use urban area where there is access to restaurants and other amenities without cars (G. Santana, 2017). Because of its lack of zoning, Houston has few areas of mixed use urban density where people live in close proximity to commercial sectors and depend on public transportation. Our research revealed strong interest in this type of lifestyle
among younger members of Houston’s startup community. Grace Rodríguez, co-founder of Station Houston (and part-owner of a bar) says that “entrepreneurs love bars,” and it’s a lot easier to live somewhere where you can walk or take public transportation home from a bar rather than calling a rideshare. She sees establishments such as late night bars, in which people can meet others and come up with new ideas, as an important part of attracting talent and generating a strong startup ecosystem (G. Rodríguez, personal communication, October 19, 2017). Instead, the majority of Houstonians live in single-family homes in suburban areas and depend on cars to move around. This dependence on cars and lack of zoning, as well as the area’s naturally featureless landscape, have made Houston into a decidedly ugly city, as was demonstrated when Houston’s superior bid to hold the 2012 Olympics was denied because the city was determined too ugly (Royal, 2016). This image and the lifestyle that Houston’s infrastructure necessitates make it far less attractive than other pre-automobile cities that have robust public transportation, historic architecture, and pedestrian-friendly public spaces.

Houston’s economic history of oil investment has created an entrepreneurial investment mindset that is at odds with the traditional startup ecosystem. Much of the money in Houston is in the hands of oil families who found success in surefire oil investment. It’s hard to justify to these potential investors that any startup is worth investing in when so few startups actually succeed or successfully exit. After 4 years, only around 50 percent of startups are still operating, and the numbers decline from there (“Startup Business Failure Rate by Industry,” 2017).

Thus, the most common investment in Houston continues to be in oil and gas and other proven industries, where investors know that there will be a payoff. The mentality of most investors in Houston, says Sentinel Trust executive Anthony DeToto, is that “there’s a hole somewhere in West Texas to put my money into” (DePhyllis, 2017). Startups need investment in these early, high-risk stages of development in order to sustain a business. Lack of funding in these vital early stages is one of
the most common reasons that startups fail. Convincing investors to buy into this high-risk, high-reward early stage investment model is therefore a critical challenge for Houston moving forward.

Aside from attracting urbanites, density is important for fostering a startup ecosystem because it results in ‘collisions’ between the various elements of this ecosystem that generate success. With Houston’s current state of sprawl, talent cannot connect with startups and startups cannot connect with resources. Houston ranks ninth for cities with amounts of 25-34 year olds with a degree, but twenty-fourth in the amount of 25-34 year olds with a degree per square foot. In contrast, a city like San Francisco that is known for its startup community, is ranked second in the amount of 25-34 year olds with a degree per square foot (Accenture, 2017). Rakesh Agarwal, founder of SnapStream, says that we have the talent we need, but it “exists in silos across Houston’s disconnected corporate and academic landscape” (Silverman, Agarwal, Bronk & Rodriguez, 2017). Hiring the best people is difficult for any company, but it is especially difficult for fledgling companies that are geographically disconnected from talent. The necessity of density can be explained through the “lean methodology.” Emerging businesses try to spend as little time and capital as possible before they start making money. Most startups fail due to lack of funding, which means that founders must avoid spending where it is not needed. First, this means a lengthy customer discovery process, where founders try to figure out if their idea is viable and if people would spend money on their product or service. Additionally, when the venture starts creating their initial product, they want to take advantage of as many existing technologies as possible, instead of “reinventing the wheel” (Ries, 2012; Blank & Dorf, 2012). This saves time and money for the startup, and increases reliability of the product. Simply put, a successful business is not created in a vacuum. Founders need access to customers at every step of the process. They need access during the customer discovery phase, testing and developing their product, and finally to sell their product to customers. Customers can be defined as consumers or other businesses that
will use their product or service. It is important to the success of a startup that they can be located somewhere that gives them financially feasible access to customers. Founders also need access to mentors who can help them make prudent decisions and increase the chance of a successful exit. They also need a community that can help them understand the market they are entering and learn about essential factors outside a founder’s area of expertise. Having a community of mentors and other entrepreneurs and being able to find these people depends on collisions and density.

Finally, startups need investment at every stage of their development, and getting a meeting with an investor is much more difficult when you aren’t geographically close to them. Density is thus critical for nearly every aspect of the entrepreneurial process. One of our survey respondents, Anjan Contractor, founder of BeeHex, left Houston because they “had hard time finding talent, investors, services, initial customers and so on.” Overall, he believes that “Houston is not a good city for any startup.” Many startups have relocated because of their difficulties having the collisions they need.

Our research also yielded a few unexpected insights that are important to consider in developing a plan to reinvigorate Houston’s innovation climate. In spite of the significant obstacles that Houston’s entrepreneurs face, many of them are not seeking help because of their age. 72 percent of our survey respondents listed the average age of their company’s employees as greater than 30, and all the startup founders we met have had several years of experience in a big industry, like oil and gas. Station’s Director of Mentoring, Milad Khakzadghomi, perceives that because many of Houston’s entrepreneurs are older and more experienced than the average startup founder, they are reluctant to make use of the resources provided by groups like Station. Khakzadghomi says that these older founders have been working in their industry for years and believe they are content area experts (M. Khakzadghomi & P. Kwiatkowski, personal communication, October 22, 2017). When they leave their jobs and try to create change within their industry by starting a company, they are resistant to seeking help, especially from a startup community that is
generally younger than them. While these founders might know a great deal about their industry, starting a company presents unique challenges regardless of the industry it is in. Without the knowledge or resources for success in this sense, they may fail because of a common problem or misplaced assumption that could have been avoided if the founder sought mentorship. This independent mentality helped Houston’s young entrepreneurs when they were making money off oil and gas, but it doesn’t help founders today because high-tech ventures are a lot more risky and dependent on collaboration. This example further shows how the individualistic Houston culture prevents the startup community culture from being culminated.

Finally, one of Houston’s greatest challenges in developing a strong innovation economy is competition with other American cities that are better equipped and further ahead in developing this environment. The greatest manifestation of this challenge is Houston’s inability to hold on to even the few companies that find success in Houston. A common trajectory among successful Houston startups is to move to another tech hub such as San Francisco or New York once they gain traction or late stage funding. In our survey, many founders expressed interest in eventually moving their business elsewhere for a variety of reasons. Among them were “while I love Houston, I miss… natural beauty,” and “…lack of resources and ingenuity.” The most common reason to leave Houston was a lack of available funding. Houston has approximately 238 million dollars in venture capital funding per year (Accenture, 2017), where Austin has around 1.2 billion, and San Francisco has over 25 billion (Florida, 2018). The majority of respondents who found funding opportunities in Houston insufficient were looking to Austin, TX or San Francisco as new locations.

Solutions and Current Initiatives

Regardless of the several reasons respondents gave us for leaving Houston long term, there were many reasons they gave us for staying. Many respondents expressed that even though Houston was not ideal for
their startup, they would stay because they did not want to uproot their families. Many expressed that they felt like Houston was uniquely situated with “big city benefits” and an unsaturated market in which resources are “incredible and easier [to] access [than] major cities.” Others cited Houston's comparatively low cost of living and diversity as reasons to stay despite other challenges. The overwhelming majority of people we surveyed want to stay in Houston, which leads us to infer that if the solutions that are implemented are successful, Houston will be able to retain many more startups.

Houston's historical development has deeply entrenched cultural and infrastructural obstacles to a successful startup ecosystem, an essential aspect of a successful American city in the 21st century. While Houstonians have been trying to make change for years, little progress has been made. Fortunately, Houston is turning a new page and initiating more holistic and well-informed efforts to promote innovation. Throughout the course of our research, we encountered entrepreneurs and community leaders that are committed to turning Houston's startup ecosystem into a thriving, accessible, and impactful force in the city.

Houston has been seeking to cultivate innovation in some capacity since the 1990s, when explosive coastal tech companies began earning national recognition and entrepreneurs began moving to California. In this early period, however, efforts to create change were focused primarily on creating funding opportunities in specific sectors. Two notable examples are the Houston Technology Center and the Surge Accelerator. The Houston Technology Center (HTC) was created in 1999 to, “...empower Houstonians to connect, collaborate, and thrive,” because of the observation that, “...entrepreneurial ventures often fail or relocate outside of Houston” (Houston Technology Center, 2017). HTC was originally founded to promote four different fields, Aerospace, Energy, Information Technology, and Life Sciences (which later expanded to include nanotechnology). HTC was critiqued for focusing too much on existing industries than focusing on startups (Silverman, Agarwal, Bronk & Rodriguez,
However, it did find some degree of success. Over eighteen years, HTC has provided feedback to well over 1,000 companies and coached over 300 companies. They have created 6000 jobs for the community and generate almost $700 million in economic impact every year (Houston Technology Center, 2017).

The Surge startup accelerator, founded in 2011, made similar mistakes to HTC. An accelerator is a program that adopts a certain number of startups for a limited time in an effort to prime them for independent success by connecting them with other entrepreneurs and funding opportunities (Surfing, 2011). Surge had four cohorts of startups run through its program, a total of 43 companies. Since Surge’s shutdown in 2016, 20 of those 43 companies have moved out of Houston and others have shut down (DePhillis, 2017, March 24). Like HTC, Surge failed because it focused on a specific industry: cleantech energy. The problem with focusing on startups in one particular sphere is that there is no diversification in assets. This is especially a problem in two of Houston’s greatest industries, the energy and health sectors, where new technologies have a long development cycle and need more upfront capital. Even if a business is successful in creating a new technology, oil and gas companies have a tendency to develop their own technology, rather than acquire new ones.

Furthermore, these initiatives were narrow-minded in their approach to fixing Houston’s innovation problem. Even in instances where Surge was successful in providing companies with vital resources, so many other aspects of Houston encourage companies who graduate from the accelerator to move on to another city with more of the resources they are seeking. In their efforts to provide funding and connections, neither of these initiatives accounted for the many other factors that influence where a fledgling company chooses to settle.

Fortunately, researchers, community leaders, and entrepreneurs themselves now recognize that innovation comes from a complex innovation ecosystem rather than any single initiative or accelerator. Those invested in Houston’s future, from the mayor to the city’s small startup
community are now working together to create change in many areas.

One of the primary types of initiatives we found were those that sought to compensate for Houston's lack of natural density. For instance, Houston has a particularly robust online entrepreneurial community. StartupHouston is an online community where startup founders and employees can connect and share ideas (StartupHouston, n.d.). Currently the Facebook group, one of the three main components of the web community, has 5,927 members. We used this Facebook group and several Slack channels to gather data in our survey (Houston Startups, n.d.). StartupHouston and similar initiatives have generated productive connections and strengthened Houston's entrepreneurship community, but it is difficult to determine how effective they really are. Khakzadghomi noted that Station cannot know what percentage of entrepreneurs in Houston are engaging with these artificial density techniques and how many are slipping through the cracks.

Station Houston is a startup hub that creates collisions through its co-working space, which is a large office space in which multiple small startups work. Not only does this lower costs for small companies that do not have the need or resources to rent their own space, it puts smart and innovative people in the same space and facilitates the sharing of ideas. While co-working spaces have become popular across the country, they are an especially important part of generating innovation in Houston, a city where many entrepreneurs live in single family homes where it would be easy to run their businesses in isolation.

In addition to its co-working space, Station embodies the holistic approach to generating innovation through its extensive mentorship and networking opportunities. Station has 262 member companies, 140 mentors, and 367 members (Station Houston, n.d.). Many of these companies work in their own spaces and benefit from mentorship and networking opportunities. We visited Station for a panel about developing Houston's innovation ecosystem and heard about opportunities for founders to practice pitching their ideas, ideation workshops, and targeted networking
events that create a more collaborative and informed startup community.

Educational institutions in Houston are also doing their part to develop local talent and create collisions. The University of Houston’s Wolff Center has helped create UH’s top-rated undergraduate entrepreneurship program and Rice’s Alliance for Technology and Entrepreneurship provides entrepreneurial opportunities for its MBA students, both programs rated second in the country in their respective categories (Top 25 Best Undergrad Programs for Entrepreneurs in 2018, 2017). Just this year, Rice completed construction of the new Liu Idea Lab for Innovation & Entrepreneurship. It contains collaborative work spaces and hosts events with community entrepreneurs. Houston Community College (HCC) also has implemented project based learning curricula, new “maker” spaces that promote innovation, and a tech placement program (Houston Community College, 2015).

Perhaps the most exciting and comprehensive of these initiatives is Houston Exponential (HX), a new nonprofit that arose from the Houston Technology Center merging with the Greater Houston Partnership’s Technology Roundtable and the Mayor’s Technology & Innovation Task Force. This initiative marks the first truly holistic effort to create change through public and private collaboration. It aims to raise Houston to one of the nation’s top 10 startup ecosystems and create 10,000 new technology jobs by 2022. In the year 2022 alone, they aim to attract 2 billion dollars of venture capital investment (Houston Exponential, n.d.).

Rather than focus resources in prominent industries like energy or life sciences, as Surge and HTC did, Houston Exponential focuses on developing technology themes, such as robotics, fintech, cybersecurity and industrial internet of things, that can be used in many different industries (Houston Exponential, Live event, October 27, 2017).

Additionally, HX has plans to bring in more funding to the Houston area. HX is creating a fund of funds called the HX Venture Fund, similar to The Renaissance VC Fund (The Renaissance VC Fund, n.d.) in Ann Arbor, MI, and Cintrifuse (Cintrifuse, n.d.) in Cincinnati, OH.
Guillermo Borda is the fund of funds manager. The way this will work, is that it will initially raise $50 million from Houston corporations. Borda will then invest in 10 to 12 venture capital funds across the U.S. (and most likely outside Houston). There is no legal obligation for these VC firms to reinvest this money in Houston, but they do have an obligation to come to Houston and meet with portfolio companies that HX picks. This should increase Houston’s national reach and network, as well as its reputation. Long term, the fund of funds should increase VC funding in Houston. The Renaissance VC Fund has a 21:1 return on every dollar invested initially into the fund of funds. If we use the same 21:1 ratio, this fund of funds will bring $1.05 billion of economic impact from this first round of fundraising. Although this might be optimistic, it shows how feasible it is to surpass the $700 million by which HX is currently impacting our economy from all of their efforts (not just funding) (Houston Exponential, Live Event, October 24, 2017).

Houston Exponential also has committees and working groups to deal with the other problems in the startup ecosystem including one that focuses on educating investors and champions on startups best practices. HX sees an opportunity to cultivate more dynamic, risk-taking investment in “champions.” These are wealthy individuals in Houston, rather than companies or venture capital firms, who have the resources to invest in a small startup but are unfamiliar with or unaware of Houston’s startup community. HX believes that informing these individuals would unlock a lot of capital for fledgling companies (DePhillis, 2017, March 24).

John Reale, a co-founder of Station Houston and Chair of the Innovation Task Force which initiated Houston Exponential, says that he aims to “build a tech district here in Houston, like the Texas Medical Center for medicine” (DePhillis, 2017, June 14). Reale envisions a Downtown area in which companies and collaborative workspaces such as Station are concentrated on a few blocks, along with all of the amenities that are attractive to potential talent. Mayor Sylvester Turner is fighting for a better startup ecosystem in Houston saying “It is now time for us to be more
competitive, to further diversify and expand our economy. What Chicago can do, Houston can do better.” He envisions a district similar to the Texas Medical Center but for all innovative businesses (Martin, 2017).

A space like the one John Reale and Mayor Turner are envisioning would promote “collisions” between entrepreneurs and investors and draw talent (and thus companies) into Houston by contributing to a more walkable and attractive city. Houston’s lack of zoning and resultant sprawl pose the greatest challenge for the city in attracting young entrepreneurs. It is clear, both from research on urban demographics and our discussions with founders in Houston that the people who drive innovation economies want to live in dense urban spaces with many public amenities, late-night establishments, and robust public transportation. They are not interested in the suburban, car-dependent lifestyle that most Houstonians enjoy. It is thus essential that Houston continue to develop its transportation infrastructure and urban spaces.

Fortunately, economic and political forces are working in favor of these trends and the city has made strides in recent years. The completion of Discovery Green in 2008 has revitalized the Downtown area significantly with its engaging public space and 600+ annual events (Discovery Green, n.d.). A number of residential buildings, offices, and schools have chosen to build Downtown largely because of Discovery Green. These developments have already begun to create a cohesive pedestrian space potentially attracting more talent to the area. We must acknowledge that by making areas in Houston like Midtown more attractive to live in, the property prices will go up potentially displacing populations that already live there. Although developing these areas make them more attractive, it’s important to keep in mind the negative effects gentrification will have on the current community. The new Mid Main Lofts on Main Street, surrounded by two performance spaces, thrift stores, and late night bars and restaurants, promises to be a significant draw to young people. Our data showed that 88 percent of respondents used their personal cars to get to work at their startup, and only 4 respondents used any alternate form of
transportation. The entrepreneurs we spoke with expressed interest in a more dense and mixed use environment around their workplace. Because of this, we would expect that an increase in walkability and public transportation would result in greater use of public transportation among members of the Houston startup community.

**Conclusion**

Given the new holistic approach that Houston is taking towards revitalizing the city’s urban spaces and creating a collaborative innovation economy, we feel optimistic about Houston’s future. The Houston Exponential initiative has identified many of the critical challenges Houston faces and developed ambitious solutions for them. Station and other innovation hubs in Houston have found great success in connecting entrepreneurs across Houston. Given the success of the fund of funds model in Michigan, we are optimistic that it will bring unprecedented investment capital into Houston and give startups the resources they need to thrive. Sylvester Turner’s support for and publicizing of the fund of funds is an important win for HX because of Houston’s history of government support for industry.

One critical factor that will determine the extent of the program’s success is how well these efforts are publicized, because this will draw the talent and investment interest in Houston that will eventually create the natural sustainable growth that other cities enjoy. Startups looking to move to a city need to know about the influx of investment that the fund of funds will bring and the new development occurring throughout Houston. Publicizing these tangible resources and amenities for founders and talent is the most immediate way to attract people. These newcomers will continue for many years to be surprised by the diversity of Houston, the quality of its restaurants, and art and culture of the city. Houston’s overall image will take much longer to change, but generating interest in these new resources is the first step to this cultural change.

Another critical area for Houston moving forward is making the
most of its diversity. Many of Houston’s most talented are immigrants and foreign nationals. Currently, law forbids over 100,000 educated immigrants on work visas from working at startups (Houston: Accenture, 2017). Rice alum and founder of AtmoSpark, Tejus Mane, mentioned how difficult it is as a non-citizen founder to find ways to work on his ideas. He has spoken to several immigration lawyers and found that overall, startups are a gray area. Fortunately, he has found ways to pursue his technology through educational sponsorship, but many are not that lucky (T. Mane, Personal Communication, 2017). Given Houston’s incredible diversity, the city and its education institutions should make it a priority to create entrepreneurs pathways for immigrants to work. Rice and the University of Houston should strive to imitate Babson College’s Global Entrepreneur in Residence program, which allows entrepreneurs to apply for a cap-exempt H-1B visa (Babson, n.d.). Especially in a city like Houston, we should strive to capitalize on the strength of our immigrant population and ensure that talented people like Tejus don’t face unnecessary obstacles to growing their business and Houston’s overall economy.

Going forward, Houston is in most direct competition with Austin. Austin’s startup community is relatively balanced and thriving in comparison to Houston’s. Even though its GDP is less than ¼ of Houston, it attracted $12 billion dollars in VC investment in the last decade, whereas Houston only attracted 4.1 billion (Thomas Reuters, 2017). Austin is often viewed as being at critical mass in its startup community density with events like South by Southwest, and a popular tech scene (Houston: Baker Institute for Public Policy, 2016).

Furthermore, Austin is seen across the country as a vibrant place for young people to live. Its vibrant street life, music scene and quirky reputation make it attractive even to those from other parts of the country that might stigmatize Texas. Even within Texas, Austin threatens to take talent directly away from Houston. Our survey indicates that Houston’s large population of older founders, those who have family in Houston, would consider moving to Austin over Silicon Valley or New York because
it is relatively close to Houston.

We hope that all of these changes will amount to an eventual change in the entrepreneurial ethos of Houston. There needs to be a largest focus on people, rather than businesses, because people are the ones that innovate and make growth happen. The cultural and infrastructural change that undergirds this will be slow, but it will eventually make Houston an exciting American city once again. The Houston we imagine in 10 years contains a dense tech district Downtown just a few metro stops away from a vibrant street scene in Midtown. We imagine the culture of Station Houston proliferated throughout these neighborhoods, where people bump into like-minded people on the street and invite them for drinks after work. We foresee an ecosystem in which there are resources for people looking to start their businesses and over 2 billion dollars in annual venture capital investment. The startups will be in all industries - not just energy and life sciences. People that graduate from UH and Rice will find opportunities to stay here, and many more young educated people will find reasons to move here. This revitalized Houston will be a destination city with opportunities for all types of people. We hope that the efforts to create a thriving entrepreneurial ecosystem will help put Houston on the map as the Third Coast.
References


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Appendix

Have you ever worked for or founded a startup somewhere other than Houston? If so, where?
31 responses

- No: 9.7%
- Austin: 58.1%
- Beaumont, TX: 0.3%
- Austin, TX and Lausanne, Switzerland: 0.3%
- Pakistan: 3.2%
- Nyc: 0.3%
- San Antonio, TX & Spartanburg, SC: 0.3%
- San Francisco and Austin: 0.3%

Have you ever worked for or founded a startup somewhere other than Houston? If so, where?
31 responses

- Miami: 0.3%
- San Francisco Bay Area: 0.3%
- DC: 3.2%
- Mexico: 0.3%

What is the most common mode of transportation to work in your office?
33 responses

- Light Rail: 87.9%
- Bus: 0.3%
- Personal Car: 0.3%
- Uber/Lyft: 0.3%
- Bike: 0.3%
Where is your company’s main office located?
33 responses

- Downtown
- Midtown
- Montrose
- The Heights
- Texas Medical Center
- West University
- Katy
- Downtown and Memorial Park (Cre...

Where is your company’s main office located?
30 responses

- Beaumont, TX
- Upper Kirby
- Stafford
- Sugarland
- Work out of home
- Beaumont
- Third Ward
- Pearland

Where is your company’s main office located?
30 responses

- Cypress
- Rice University
- Out of home so far
- Southwest Houston
- Uptown
- East End/Gulf Gate
- Spring Branch (near Karbach)
What type of building is your office in?
32 responses

Other information can be found through our survey: https://docs.google.com/forms/d/1SSL49SJ9oqSdK HG IrtwE7WMz5gOQS7nn-NC--GhLlmE/edit