

**Firm Location in a Polycentric City:  
The Effects of Taxes and Agglomeration Economies on Location  
Decisions**

by

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Abstract

The paper explores the determinants of firm location in a polycentric city using data for the Houston region. Firm location is modeled in a discrete choice framework using eight employment centers and outlying areas as possible choices. Agglomerative and dispersive forces are explicitly treated, as are taxes and other characteristics that vary over space. The findings show that property taxes have large deterrent effects on firms' locations for the four industrial groups analyzed here: oil and gas; manufacturing; finance, insurance and real estate (FIRE); and services. When agglomeration economies are present, they are weaker than the tax effects and are positive for only the FIRE and services industrial groups.

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