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# **COMPREHENSIVE RESORT MARKET ANALYSIS**

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**SOUTH PADRE ISLAND, TEXAS**

**PREPARED FOR:  
THE ECONOMIC DEVELOPMENT  
CORPORATION  
OF THE  
TOWN OF SOUTH PADRE ISLAND**



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Economic & Market Research / Land & Development Planning  
Landscape Architecture / Community Planning & Design  
Golf Feasibility Analysis

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Economic & Market Research / Land & Development Planning  
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## **EXECUTIVE SUMMARY**

The purpose of this analysis has been to determine the future market potentials for overall resort development, as well as marketing and implementation strategies for South Padre Island, Texas. The Island itself is a 34-mile long barrier island, just a ½ mile wide at its widest point, located in Cameron County on the Southern Gulf Coast of Texas.

### **Cameron County/South Padre Island Employment and Population Growth Trends**

Employment and population growth trends for Cameron County and South Padre Island have been studied and projected into the future. Since 1970, employment in Cameron County has grown from 48,386 to 150,162 in 2004 - an annual average increase of 2,993 jobs. Between 1994 and 2004, Cameron County added an average 3,381 jobs on an annual basis. Since 1990, employment on South Padre Island has grown from 3,221 to 5,550 currently, an increase of 167 new jobs per year. In 2004, 5,550 people were employed on the Island, and THK estimates that almost 95%, or 5,250 of the jobs on the Island are tourism related jobs.

Population growth in Cameron County and on South Padre Island has been solid in recent years; since 1980 the population of Cameron County has increased by 7,120 people annually from 209,727 to 387,684 in 2005. The number of permanent households increased by 2,240 annually during the same period, jumping from 58,418 in 1980 to 114,361 in 2005. South Padre Island has 2,849 permanent residents in 1,446 households. South Padre Island has added an annual average of 80 persons and 40 permanent households between 1990 and 2005. During 2000 to 2005, the town posted annual gains of 90 persons and 50 households.

It is estimated that on South Padre Island, on average, through the next decade jobs will expand annually by 230, which represents an annual growth rate of 3.5%. This is contrasted to the projected rate of employment growth for Cameron County at 1.9% and the US economy, which is projected to grow at 1.8%. Over the next decade, South Padre Island will account for 10.1% of the growth projected for Cameron County, and by 2015 the Island will represent 4.3% of total Cameron County employment.

Construction activity in Cameron County, and specifically on South Padre Island, has been strong over the past twenty-five years, and single-family construction has dominated historical permit activity in the county, ranging from 81% of permits issued over the last 25 years to 88% of permits issued since 2002. While construction activity in Cameron County remains strong, at an average 1,986 units per year, since 1980 on South Padre Island annual construction has averaged 160 units with 87 being multi-family. In the last 5 years, construction has been 90 units per year on South Padre Island with 36 being multi-family.

### **Tourism and Visitation**

With its unique setting, pristine beach environment, and abundant water and outdoor activities, South Padre Island continues to establish itself as a premier visitor center. As the area gains more recognition as a year-round vacation retreat, there will be a growing need to preserve, improve, and add to the amenities and attractions sought by the rising tide of tourists.

THK has studied annual and monthly traffic crossing the Queen Isabella Causeway to South Padre Island, which serve as a baseline for determining total and seasonal visitation to the Island. Island traffic has increased steadily over the past fifteen years, with over 7.8 million

vehicle trips being made across the bridge in 2004. Just under 33% of these trips are made in July, August, and September.

Cameron County, and particularly SPI, have shown relatively strong growth in visitor expenditures. Growth in expenditures on SPI has averaged nearly 5.0% since 1999 to an estimated \$290 million in 2004.

Seasonal and second-home development has had a dramatic impact on the housing market along the United States portion of the Gulf Coast from Florida to Texas (Five-State Region). Fifty-one counties in these 5 states border the Gulf Coast, and in 1990 they included 3,397,869 housing units, of which, 243,272, or 7.2%, were determined to be seasonal units. In 1990, Cameron County had 88,759 housing units, of which 7,009, or 7.9%, were seasonal units. By 2000 Cameron County's housing unit count had grown to 119,654 units, of which 11,759, or 9.8%, were seasonal units. Seasonal housing units in Cameron County grew by 475 units per year during this 10-year period and this represented 10.1% of the increase of seasonal housing units along the entire Gulf Coast. The seasonal housing count on South Padre Island is 2,181, which represents 40% of total housing units on the Island and 15% of all seasonal units in Cameron County. A large portion of the demand for these units will come from Mexican Nationals, as well as Texas and the Gulf Coast.

It is estimated that seasonal units will grow by an annual growth rate of 2.4% over the next decade in these 51 counties and by 2015 there will be a total of 409,630. Annually, through the next decade, seasonal home construction will average 8,590 units and Cameron County should continue to capture approximately 10% of the 51 county total, or 860 seasonal units per year. South Padre Island should capture 15% of the Cameron County demand and annually should average the construction of 130 units.

There are currently thirty-two timeshare resorts in the State of Texas, almost all of which are located on the southern Gulf Coast. The most expensive among all these interval ownership properties is Silverleaf's Seaside Resort located on the Gulf Coast in Galveston. Ownership at this resort costs \$23,500 per weekly increment. The least expensive intervals are offered by the Sunchase Beachfront Condominiums (South Padre Island) where a single week of ownership can be had for as little as \$1,600. The average price of ownership per week for all thirty-two resorts in the state of Texas is \$8,435. THK has determined a primary catchment area (PCA) from which the majority of demand for South Padre Island's interval ownership component will be derived. It has been determined that the majority of interval ownership demand comes from households living within a four-hour drive radius. The South Padre Island PCA is limited to Southern Texas and reaches as far north as San Antonio.

Households earning less than \$200,000 have a 7% participation rate for second home ownership, while households earning \$200,000 or more are twice as likely to own a second home and have a participation rate of 14%. Of the lower-income (\$50K - \$200K) households that actually own second homes, 14% are in the form of fractional interests. Of the households earning in excess of \$200,000 that own second homes, 9% are fractional interests. In the year 2000, there were an estimated 3,268 households within the South Padre Island catchment area participating in fractional ownership. The number of households in the catchment area participating in fractional ownership of vacation units has increased to an estimated 3,979 in 2004, and is expected to grow to 4,866 by 2009 and 5,304 by 2014. Of these totals, an estimated 40% will purchase their interval in Texas and it is estimated that 15% of these will be purchased on South Padre Island. Annual fractional interest sales will range from 240 to 310 intervals, and with the average interval being 8 weeks, a total of 30-40 units will be sold

annually for fractional condominium ownership.

South Padre Island has experienced 3.6% annual growth in its population, adding 78 new residents annually since 1990. Household growth has continued throughout this time period at a 3.9% growth rate or 42 new households annually. The number of seasonal units has actually decreased from 2,418 in 1990 to 2,181 in 2005, an annual average decrease of 16 units. In the coming decade, seasonal units are expected to grow at a rate of 1.3% annually to 2,490 by 2015.

Currently, the Island includes approximately 4,300 lodging units, including hotels, motels, resorts, and condo rentals. Occupancy rates for the Island's lodging units averaged 48% in 2004. THK identified 31 hotels and motels with a total of 2,528 available units and an additional 73 condominiums with 3,152 units, of which 1,642 are in the rental pool. As with seasonal visitors, the peak season months of June through August will continue to attract the most lodging visitors. In 2005, the month of July will average 8,146 lodging visitors daily, and by 2015 June, July, and August will average nearly 10,510 lodging visitors daily.

South Padre Island currently has 754 RV sites in two large parks, while the whole of Cameron County has an astounding 8,973 RV sites. This is a tremendous source of day visitation to the Island. A total inventory of 754 sites in 2004 is expected to yield an average of 734 daily visitors based on 44% occupancy.

Average daily visitation will grow to 881 people staying at recreational vehicle sites on the Island in 2015. It was determined that almost 4.3 million people will visit the Island for the day in 2005.

In total today, on an average day, 13,549 visitors are on South Padre Island and, annually, there are approximately 5 million visitors. By 2015, on an average day, there will be 17,308 visitors, or over 6.3 million, which represents an annual rate of increase of 2.5%.

## **Residential Market Analysis**

The potential for new residential development on South Padre Island is subject to a variety of pressures including interest rates, inflation, social, political and other economic influences. Based upon the historical performance of Cameron County and South Padre Island, and upon the projected growth in new household formations and seasonal housing demands shown earlier in this report, the demand for new residential construction can be segmented by tenure and type of unit.

The supply and demand sides of the residential market in the South Padre Island primary trade area were evaluated in the previous sections of this report. It was established that South Padre Island will have an average demand for approximately 65 single-family residential units, including manufactured housing units, annually through the year 2015 or, in total, 650 units over the next decade. THK estimates that the average lot size will range approximately from 5,000 to 6,500 sq. ft. and be developed at a density of 4 units per acre. In total, approximately 165 acres will be needed to accommodate single-family demand through 2015.

Following the same analysis for townhomes and rental condominiums, 1,330 units could be absorbed on South Padre Island through 2015. THK's research indicates that currently, South Padre Island has 73 condominium projects with a total of 3,152 units. Of this total, 15 condominium projects with 1,403 units, or 45% of the total, are in midrise or highrise structures

averaging 50-60 units per year. The balance of the condominiums and townhomes have been developed at average densities of 25 units per acre for lowrise condominiums and 12 units per acre for townhomes. THK projects that of the total of 1,330 units that should be constructed over the next decade, 600 units in 6-8 midrise to highrise structures should be built on approximately 10 acres, or roughly 1 highrise structure per year. Additionally, approximately 400 units of lowrise condominiums should be built on approximately 20 acres and 330 units of townhomes should be built on approximately 30 acres.

Additionally, 191 units of rental multi-family will be needed by 2015 and these will be developed at a density of 25 units per acre, or 10 acres will be needed to meet demand by 2015. In total, residential demands by 2015 will be as follows:

<u>Type of Units</u>	<u>Total Needed to Meet 2015 Demand</u>	<u>Acres</u>
Single-Family	650	165
Townhome and Condominium	1,330	60
Rental Multi-Family	190	10
Total Units	2,170	253

Source: THK Associates, Inc.

## **Hotel Market Analysis**

South Padre Island has a total of 31 hotels, resorts, and motels. The 31 properties comprise 2,528 rooms. Over 30% of these facilities and rooms have been built in the last five years. More than 30% of the properties have greater than 100 units. Since 1970, South Padre Island has averaged the construction of 63 units per year; since 1980, a total of 56 units per year; since 1990, a total of 71 per year; and since 2000, a total of 180 rooms per year. Since 2000, 10 budget hotels with 898 rooms have been built, averaging 90 units per hotel.

The South Padre Island Convention Center was built in 1992 and encompasses 45,000 sq. ft. and a study is currently underway to determine if it should be enlarged. The convention center captures approximately 15% of the conventions held on the Island including sporting events, church groups, civic groups, and others that do not like paying the rates at the hotels. The average group size is 200 to 250 attendees. Hotels on South Padre Island with convention space include The Radison with 10,000 sq. ft., Sheraton with 8,000 sq. ft., Holiday Inn with 6,000 sq. ft. and Bahia Mar with 5,000 sq. ft.

The projected demand for new hotel rooms in the market area over the next decade will average 63 rooms annually. This equates to a cumulative total of 682 new units over ten years. The bulk of this new demand will be generated by the visitor segment of the market and should occur mostly in new full-service resort facilities, rather than adding to the limited service hotel inventory. To accommodate the average nightly room demand projected for 2015, the market area will need to add 682 rooms. It would be very advantageous if some of the major luxury full service hotel chains, including Four Seasons, The Ritz, Marriot, Hilton, Hyatt, or others could be attracted to South Padre Island to establish a new standard for full service hotel development.

## **Commercial and Retail Market Analysis**

New commercial and retail space will be needed in the future to accommodate additional residents and visitors in the region. As much as 90% of the demand for retail space in the area comes from secondary markets, mostly tourists. As South Padre Island and the surrounding area continue to develop over the next decade, the need for more complimentary services, such as convenience retail and office space, will increase as well.

Cameron County had a total of \$3.1 billion of taxable retail sales in 2004. From 1999 - 2004, retail sales grew by over 5.0% in the region as a whole. South Padre Island totaled approximately \$80 million in retail sales in 2004. Historically, SPI has accounted for between 2.5% and 3.0% of total Cameron County retail sales. Retail sales on South Padre Island are projected to grow to \$145 million in 2015, an annual average increase of 5.7%. Permanent residents are estimated to comprise 7.5% of these sales, overnight visitors 55% of sales, and day visitors the remaining 37.5%. Total sales in 2004 averaged \$10.10 per person per day. THK estimates that approximately 80% of permanent resident expenditures take place off of the Island.

The surge in tourist growth should continue to fuel retail demand on the Island. South Padre Island's retail commercial market is reasonably in balance now with almost 400,000 sq. ft. of space and 154 retail establishments, including approximately 40,000 sq. ft. of convenience and specialty food space, 55,000 sq. ft. of apparel space, 156,000 sq. ft. for restaurant and bars, and 144,000 sq. ft. for miscellaneous retail and personal service stores. Over the next decade, approximately 280,000 sq. ft. of new retail commercial space needs to be added on South Padre Island at a pace of almost 30,000 sq. ft. per year.

It would be very exciting if the community of South Padre Island would take these prospects and complement them with community administrative and recreational facilities, arts and craft galleries and other uses, to create a special mixed-use urban place and town center. This town center should be located at "Main Street and Main Street" and may be located where it could link the "bay to the breakers".

It is estimated that there is currently approximately 275,000 square feet of office space on South Padre Island, all of which is not housed traditionally in stand-alone buildings, but occurs within mixed-use facilities, and in the many resorts and hotels. Vacancies are low for Class A and Class B space, but relatively high for Class C space. Overall, lease rates range from \$4-\$16 per square foot.

Some industries are more likely than others to house employees in office and flex space rather than in industrial buildings, retail facilities, schools, or public buildings. Those industries projected to generate the bulk of the new jobs and their respective occupational breakdowns make it clear that employment growth in South Padre Island during the next decade will include a sizeable number of service oriented, white collar occupations. Using a F.A.R. of 22%, the cumulative demand of 117,580 square feet of office/flex space, through 2015, could be accommodated on 12.9 acres. The office/flex land uses could also be incorporated into a town center complimenting retail, civic, and art galleries.

## **Golf Course Market Analysis**

When comparing Texas golfing trends to those for the rest of the west south central states and the nation, a number of significant differences appear. Golf participation is lower in Texas than in the west south central states, and lower than the nation as a whole. There is a much higher percentage of private golfers in Texas. The average annual rounds played per golfer for Texas is higher than the national average. Regarding the South Padre Island golfing environs, there are twelve golf courses in Cameron County, and these courses were surveyed to obtain information concerning the critical elements of their operations. The twelve golf courses have 198 holes of golf. All are public, 9 are regulation length with 1 executive and 2 par 3, two courses are 9-hole and 10 are 18-hole courses.

In Texas, the overall golf participation rate is 7.8%; the male participation in the state is 19.9% compared to 7.0% for females. Men in Texas aged 30-39 have the highest golf participation rate of 16.4% followed by the 40-49 age group at 13.3%. Females between 30-39 have the highest participation rate at 4.7% followed by the 40-49 group at 3.9%.

Permanent residents of South Padre Island will demand 2,631 18-hole rounds in 2005. Seasonal visitors will demand another 7,683 rounds, hotel visitors will demand 24,388 rounds, and RV visitors will demand 3,466 18-hole rounds. In 2005, there will be demand on South Padre Island for 55,290 rounds of 18-hole golf. By the year 2015, 71,799 18-hole rounds will need to be accommodated by an Island course to satisfy Island demand.

There is only one golf facility, South Padre Island Golf Club, operating in the immediate vicinity and it is open to the public. The course plays 34,000 18-hole rounds. This course, though not in the defined "trade area" of the Island itself, would provide significant competition. However, having two championship courses basically at the Island would likely yield benefits down the road, giving South Padre a level of golf destination appeal, drawing golfers who want to play more than one course.

## **Cash Flow Analysis for the South Padre Island Golf Course**

The purpose of this cash flow analysis was to determine the net operating income that will result from the operation of an 18-hole South Padre Island golf course beginning in 2007. The analysis examines revenue sources and expenses involved in the operation of the course, as well as the debt supportable for the golf complex based on these cash flow projections.

It was determined that the 18-hole golf course will support 31,262 18-hole rounds of golf in 2007 and 41,855 18-hole rounds of golf in 2009. It was also recommended in the market analysis that average green fees of \$35.46 for 18 holes be assessed starting in 2007; these fees will rise to \$46.27 by 2016. Revenue from green fees at the golf course will be \$1,108,551 in 2007 and \$2,328,307 in 2016. The increases from 2007 are caused by annual increases in rounds played and green fees, which should average a 3.0% annual increase over the period 2007-2016.

Operating revenues and expenses have been estimated and projected in order to derive the net operating income and the concurrent cumulative operating income for the golf course. The net income of \$148,201 in 2007 will grow to an operating income of \$1,507,369 by 2016. Net operating income will support a golf course investment of \$7,150,000 and generate a 13% return on the investor.

## **South Padre Island Marina Potentials**

Substantial permanent population and visitor growth on South Padre may create demand for additional marina facilities. The State of Texas has 619,088 registered boats and accounts for 4.8% of the total U.S. registered boats. Boat registrations in Texas have increased by 1,100 boats annually since 1996.

Cameron County has 1,373 boat storage spaces, which represents 1.6% of all boats estimated to be within the South Padre Island catchment area. Of this total, 533, or 38%, occur on South Padre Island. Cameron County is projected to capture 2% of the projected growth in demand for boats in the South Padre Island catchment area and annually will enjoy a market for approximately new 60 boat slips per year, and 580 by 2015. South Padre Island should capture 40% of the projected market for boat slips in Cameron County and annually it will enjoy a market for 25 marina slips per year, and a total of 250 by 2015. Of this total, 90 should be wet slips with the balance in dry stacks. A land area of 12 acres is recommended for an additional public marina on South Padre Island.

## **Summary of Land Use Recommendations**

This resort market analysis demonstrates development potentials that will evolve over the next decade on South Padre Island. These potentials have been studied under distinct classifications including residential, hotel and lodging, recreational vehicle, retail commercial, office and flex space, golf course and marina. Residential potentials were distinguished at single-family, townhome and condominiums, and rental apartments. The hotel and lodging markets were distinguished as full service and limited service. THK's research has established that, annually, South Padre Island will experience an annual demand for 65 units and over the next decade, total demand will be for 650 units. With the average lot size at 6,000 sq. ft. per unit, the average density will be 4 units per acre and 165 acres will be needed to accommodate the single-family demand. Single-family development will generally occur on the interior of the Island and the north region of the Island will be needed to accommodate this acreage.

Townhome and condominium development is projected to average approximately 135 units per year and 1,330 total units over the next decade. THK projects that 6-8 midrise to highrise structures will be built with 600 units on a total of 10 acres, at a pace of 60-80 per year. These will be beachfront condominiums and occur in the south central portion of the Island. A total of 400 units should be built on a total of 20 acres and 40 units per year should be anticipated as the rate of absorption. Townhomes are projected to absorb at a pace of 35 units per year and 330 units are recommended for 30 acres. The rental apartment market is projected to average from 15-20 units per year over the next decade, and a total of 190 units have been recommended on 10 acres. It is recommended that these be considered to be incorporated into the town center and may even be developed in a mixed-use configuration above the retail.

Additional recreational vehicle spaces will be needed on South Padre Island over the next decade. A demand for 156 sites on 15 acres has been identified. Development of these facilities should be considered north of existing development to balance with the recreational vehicle park that occurs on the south.

Hotel and lodging on South Padre Island is projected to grow annually over the next decade by approximately 70 units per year and, in total, 682 additional units will be needed by 2015. THK has recommended that 3 full service hotels with 455 rooms be developed on a total of 12 acres. These should occur in the mid-central area of development on the beach frontage, adjacent to

the convention center or at the recommended golf course. Additionally, the 227 rooms should be developed as 3 limited service hotels and these will likely be developed north along Padre Boulevard.

The retail commercial market on South Padre Island is projected to grow by approximately 30,000 sq. ft. per year over the next decade. In total, 280,000 sq. ft. of retail space will be needed to house the market by 2015. Under conventional development systems, 30 acres of land would be required to accommodate this demand. This construction will include 15 new convenience and specialty food stores, 10 new apparel stores, 25 new restaurants, and 65 miscellaneous retail commercial stores. It would be very exciting if the community of South Padre Island would take these prospects and complement them with community, administrative and recreational facilities, arts and crafts galleries, and other uses to create a special, mixed-use, urban place and town center. This town center should be located at "Main Street and Main Street" and may be located where it could link the "bay to the beach". Housing, both rental and ownership, would be located above ground floor retail, and office and flex space could also be incorporated into the concept.

The office/flex market on South Padre Island will average an annual demand for 11,800 sq. ft. and, over the next decade, 13 acres of land will be needed to accommodate the office/flex market. This space will be developed along Padre Boulevard and it would be strategic if this space could be developed in conjunction with the retail space in a town center configuration.

THK has prepared a market analysis of the golf potential on South Padre Island. This research has established that there is a need for an additional 18-hole golf course that would require approximately 200 acres. This recreational use would need to be developed north of the existing development and it could be a tremendous asset reinforcing residential, as well as hotel and lodging development. It would be extremely beneficial if the golf course could be developed in conjunction with a resort hotel of from 200 to 300 rooms.

Additional marina facilities should also be constructed on South Padre Island. Currently, 523 slips, including 115 wet slips, exist on South Padre Island, an additional 850 slips with 278 wet slips exist in Cameron County overall. Cameron County is projected to experience a demand for 60 boat storage slips per year and 580 total slips by 2015. South Padre Island should capture 40% of this projected market in Cameron County and annually enjoy a market for 25 boat slips per year, or 250 in total by 2015. Of this total, 90 should be wet slips with the balance in dry stacks.

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**South Padre Island Land Area Demand by 2015**

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<b>Land Use</b>	<b>Units/Improvements</b>	<b>Land Area</b>
<b>I. Single Family</b>	650	165 acres
<b>II. Townhome/Condos</b>		
Mid to Highrise Condo	600 (6-8 structures)	10 acres
Lowrise Condo	400	20 acres
Townhomes	330	30 acres
<b>Total Townhome/Condo</b>	<b>1,330</b>	<b>60 acres</b>
<b>III. Rental Apartments</b>	190 units	10 acres
<b>IV. Recreational Vehicle</b>	156 spaces	15 acres
<b>V. Hotel/Lodging Sites</b>		26.0
Full Service	455 rooms (3)	12 acres
Limited Service	227 rooms (3)	6 acres
<b>Total Hotel</b>	<b>682 rooms</b>	<b>18 acres</b>
<b>VI. Retail Commercial</b>	280,000 sq. ft.	30 acres
<b>VII. Office/Flex</b>	118,000 sq. ft.	13 acres
<b>VIII. Golf Course</b>	18 holes	200 acres
<b>IX. Public Marina Land Area</b>	250 boat slips with 90 wet and 160 dry stack	10 acres
<b>Total Land Area</b>		<b>521 acres</b>
<b>Total Urban Land Area Excluding Golf Course</b>		<b>321 acres</b>

Source: THK Associates, Inc.

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### **Fiscal Impact Analysis**

The analysis has also examined the fiscal impacts that could be expected from the development opportunities over the next decade.

Certain assumptions were made in order to estimate the fiscal impacts on the Town of South Padre Island over the next decade. Inflation rate, residential, retail, lodging, and office development, retail and golf spending, tax rates and expenditures were all assumed in constructing our fiscal model. By applying these assumptions to the recommended land use model, THK Associates, Inc. has estimated future revenues and expenditures that can be expected over the next decade. The recommended land use model for the next decade of growth will result in surplus revenues of \$27,826,398. This would suggest that the market

forces and land use recommendations are complementary to each other and planning can proceed with some degree of fiscal certainty.

## **Development Strategies**

South Padre Island has an invaluable opportunity to capitalize on the rare convergence of community based planning needs and desires and market place dynamics. The onset of these forces is the catalyst bringing these often disparate objectives together. The reality, however, is that a long-term vision for critical areas of South Padre Island is necessary to sustain and grow the community, and for it to remain competitive in a changing business environment along the Gulf Coast.

This vision can be achieved through consensus-driven and cooperative master planning that involves the broadest range of participants. These recommendations are intended to give this process a head start by offering objective ideas on how to integrate key design principles and guidelines that should be the basis for developing and implementing a strategic plan. THK further advances this planning process by describing the structural processes that will be needed to move these projects forward.

South Padre Island needs to provide leadership throughout the planning and development process. South Padre Island must communicate to the development community an advanced “degree of certainty” in both approvals and timing. South Padre Island needs to be seen as a savvy business entity that will help to protect private sector investment by eliminating undue regulatory risk, thereby increasing returns on investments within its boundaries.

THK recommends that South Padre Island undertake an updated comprehensive master-planning effort, with the help of outside consultants, in order to assess a basic approach to new development. The comprehensive plan will need to address key development opportunities that derive from the advantages of each site and remove current impediments to successful development.

After a framework comprehensive master plan agreement has been made and endorsed by South Padre Island’s leadership, staff, and residents, landowners and the community needs to promptly develop a funding plan and program to provide the needed infrastructure and regulatory entitlements that will enable responsible, yet flexible, development within the guidance of the comprehensive master plan.

THK believes that major improvements need to be made to the infrastructure to accommodate development. These improvements will require significant expenditures, most likely tens of millions of dollars. The expenditures, however, can be staged and shared by the community, developers, and improvement districts over the next several years. Although these significant, up-front expenditures will provide no immediate return, they will benefit residents and employers as South Padre Island evolves during a timeframe that will span the next generation of community’s development and enable it to remain competitive in the marketplace for commercial and residential development. Ultimately, they will create greater value for the private sector and higher tax revenue for South Padre Island.

The comprehensive planning effort will be a significant force in shopping future residential development on South Padre Island and strategic annexations and appropriate zoning, subdivision regulations, and infrastructure improvements will be a necessary part of this comprehensive planning process.

THK endorses the Urban Land Institute's "Ten Principles for Smart Growth on the Suburban Fringe" that outlines ways to improve residential development practices. The ten principles discussed include the following:

- Create a Shared Vision for the Future...and stick to it: Make sure the vision is inclusive and reflects the desires of those who live and work in the community.
- Create and Sustain Green Infrastructure: Designate open space to be saved in perpetuity.
- Realize that the Right Design in the Wrong Place is not Smart Growth: Determine the appropriate location based on infrastructure investment, proximity of jobs to housing and transit options.
- Protect Environmental Systems and Conserve Resources: Minimize disturbance to nature and use climate as a major factor in design.
- Provide Diverse Housing Types and Opportunities: Offer a mix that appeals to different demographic groups and households, resulting in greater neighborhood diversity.
- Build Centers of Concentrated Mixed Use: Offer a blend of commercial, retail, entertainment, and recreational space.
- Use Multiple Connections to Enhance Mobility and Circulation: Provide a network of vehicular, pedestrian, cycling, park, and open space connections.
- Create Sustainable Transportation Choices: Stage development of real estate and transportation facilities to ensure availability of a variety of alternatives to driving alone – walking, cycling, transit, car pooling, and telecommuting.
- Preserve Community Character: Draw on local culture, heritage, and history to create a unique sense of place.
- Make it Easy to Do the Right Thing: Make local regulations more flexible to encourage mixed-use, compact development and other smart growth practices.

Hotel and lodging on South Padre Island is projected to grow annually over the next decade by approximately 70 units per year, and, in total, 682 additional units will be needed by 2015. THK has recommended that 3 full service hotels and 3 limited service hotels.

Currently, a study is underway to assess the demand to expand the convention center beyond its current capacity of 45,000 sq. ft. Preliminary research indicates that an expanded convention center will be recommended and a host hotel adjacent to the convention center would be a substantial addition to South Padre Island. A full service hotel at the convention would also be in close proximity to South Padre Island "Birding Center", which has been approved, designed, and budgeted for construction at \$6 million. The initial \$1.5 million has been raised from state and local funding sources, representing 50% of the construction cost of the building with another \$3 million needed for the interior buildout and displays. Work will begin this summer on additional boardwalks and this improvement will add substantial appeal to the visitor market and would be an enhancement to the full service headquarter convention center hotel.

In addition to a full service beachfront hotel and a headquarter convention center hotel, a full service resort hotel developed in conjunction with an 18-hole championship golf course would also be a tremendous asset and complementary facility for South Padre Island. Research has established that there is an additional need for an 18-hole golf course on South Padre Island and recently a trend has evolved in the golf industry to develop seaside resorts in sand dunes adjacent to the ocean. North and South Carolina have both seen substantial golf, residential, and resort development along the coast and Kiowa Island is an especially good example of what can be created. Also, Bandon Dunes, along the Oregon Coast, is another great example of golf

and resort development in a coastal environment. South Padre Island should get very aggressive in trying to lure a golf course resort developer that would incorporate a full service hotel into their overall plan.

Over the next decade, approximately 280,000 sq. ft. of new retail commercial space needs to be added on South Padre Island at a pace of almost 30,000 sq. ft. per year. If this retail commercial space is constructed at conventional commercial building coverage ratios, it will require approximately 30 more acres of land devoted to retail construction. Additionally, the office/flex market on South Padre Island will average annually a demand for 11,800 sq. ft. and, over the next decade, 13 acres of land will be needed to accommodate the office/flex market. THK recommends that South Padre Island incorporate new retail and office development along with residential and civic uses in a “town center” development. A number of design characteristics are essential to developing a successful town center. These include connectivity, access to transit, sound infill development principles, and interconnected private development parcels. THK has identified and recommends the following concepts and ideas:

- Linking the Bay to the Breakers
- Parking Management
- Pedestrian Circulation
- Open Space, Civic Space, and Recreational Use Planning
- Development Principles and Guidelines

Remember these Ten Principles for Successful Development as presented by the Urban Land Institute. South Padre Island has already taken steps in the right direction in utilizing these following ten principles:

- Make it better with a vision;
- Apply the power of partnerships;
- Think development;
- Get the parking right;
- Build a place, not a project;
- Make retail development market driven;
- Mix uses, but not necessarily at the same place – that is, the east and west sides of the town center do not need to be programmed the same way;
- Make buses a great idea – something that already has been established with the “Catch the Wave” system;
- Encourage housing at every price point;
- Engage corporate attention, which should be the base condition at the town center

A golf course on South Padre Island will cause faster and more valuable absorption of lands in the community by attracting businesses and residents that are in search of a better quality of life. It will cause a demand for higher development intensities and a broader array of land uses such a retirement housing, office condominiums, retail, and a wider variety of residential and commercial uses including “maintenance free” living types of units, especially if development is encouraged at the periphery of the golf course. A golf course will distinguish South Padre Island from others in the region and it will give the community a substantial competitive edge to attract visitors, hotel guests, families and businesses in the region that are considering a new location or relocation. The golf course gives the community a special sense of identity. The golf course will become a focal point for marketing the recreational environment available on South Padre Island.

The golf course feasibility study is complete, it would be timely to retain a golf course architect that is knowledgeable in designing golf courses in sand dune environs along the Gulf or ocean coasts. As mentioned earlier, Pete Dye at Kiawah Island has had a great experience. Corr-Crenshaw at the Sandhills course and Tom Doaks at Bandon Dunes in Oregon have also had great successes. The golf course designer should review land and ownership patterns north of the existing development on South Padre Island to determine the best location that accomplishes all the factors that will ensure a successful golf course and resort community.

A preliminary routing plan should be completed demonstrating exactly where and how a golf course and resort community could be constructed. Once this is complete, preliminary construction budgets can be completed and a thorough assessment of development potentials can be valued. A program can then be devised to acquire, or joint venture, the land for the golf course and a program to develop the surrounding land can be completed.

Once the design concept and the land ownership and development program is agreed upon, these should be coupled with the market and financial feasibility study and presented to various developer prospects. Special financing tools for the golf course are available at very competitive interest rates and these include general obligation bonds, revenue bonds, and bonds that are underwritten with hotel and lodging receipts as the source of repayment.

There is potential for a marina with 250 slips. There is also potential on South Padre Island for a 156 space recreational vehicle park on 15 acres. The potential exists to combine these two facilities at the same location and supplement these with other synergistic land uses such as retail, specialty commercial uses, restaurants, and higher density residential uses. Marina operations today in South Padre Island environs are run privately on land that is owned or leased from a public agency and the recreational vehicle parks have similar arrangements and these existing operators or new prospects can be considered for the new operations. The comprehensive planning effort should recommend a specific location north of the existing development on South Padre Island and a profile for the overall marina development concept. Once this is in place, a game plan can be formulated to acquire, finance, develop, construct, and operate this significant additional amenity for South Padre Island.

The comprehensive planning effort, including infrastructure recommendations, will be a very important program that will solidify development strategies for South Padre Island and a strong endorsement by all stakeholders will be necessary. Once this is in place, funding alternatives need to be evaluated and priorities need to be established for all of the future development opportunities that are available on South Padre Island. Currently, a program is in place and funded for the beautification of South Padre Boulevard. These improvements need to be completed by 2007. THK would recommend that this program be expanded to include planning and road improvements that will be necessary to construct portions of the town center concept for South Padre Island and it may be possible to use the same funding mechanism for some of these improvements.

The market analysis demonstrated that South Padre Island, at a minimum through the next decade, will need over 520 acres for urban land uses and in total, the land area requirement may be closer to 650 acres, which is more than a section of land. Most new development will have to occur north of existing development and South Padre Island needs to have a defined and aggressive attitude toward annexing, zoning, and servicing future areas for development or these opportunities will be capitalized upon by others and it is important for South Padre Island to control its own destiny.

Coincidental to these policies, other improvements existing or being considered by South Padre Island, will enhance and solidify its position as one of America's great destination resorts. These include construction of the birding center, construction of a second road crossing from the mainland to South Padre Island at the north end, expanding the convention center and needed improvements to the county airport at Port Isabel.

### **Implementation and Marketing Strategies**

South Padre Island's leadership should move quickly to review and discuss the programs proposed here and to adopt a plan with any modifications determined necessary. There is no cheap, easy, quick way to program South Padre Island's future. What is required is commitment to a well-thought-out, long-range comprehensive plan with steady follow-through. It is time to move forward. This study's proposals should be immediately referred to the South Padre Island leadership and citizenry for consideration, with any positive recommendations.

The public's interest should be aroused, and public comment should be generated by the local newspaper and radio station. Considerable input should be solicited, and while the views will be diverse, there should be a common theme that suggests that a well thought out comprehensive planning program with a vibrant town center still plays an important role as a recreational, social, governmental, and civic center for the broader public. Keeping that interest alive and listening to the public's ideas will be critical. Public hearings at every step along the way will broaden that input and will avoid any criticism that the process was secretive or exclusive. Maximum sunshine should be allowed into the process.

## **I. INTRODUCTION**

The purpose of this analysis is to determine the future market potentials for overall resort development, as well as marketing and implementation strategies in South Padre Island, Texas. In order to make this determination, THK analyzed relevant socioeconomic data at the national, regional and local levels. Initially, this study profiles the Cameron County market area to illustrate the historical employment, population, household, seasonal housing, and visitor growth that has occurred and is anticipated in the near future.

Tourism plays the critical role in the economic environment in the South Padre Island area. Recognizing this, THK defines both the market area and a trade area and profiles the tourists visiting them. Visitor segments are identified and profiled in socioeconomic terms, i.e., type of accommodation, time of year they visit the area and length of stay. After isolating these segments, THK calculates the relative importance of each to the local economy, and determines their projected growth and impacts.

The residential section of the market analysis isolates residential market trends on South Padre Island in order to ascertain the potential for developing additional residential units. Data collected and analyzed includes historical and projected population and household growth (permanent and seasonal), household income, demographic characteristics, and historical residential construction trends by unit type and historical residential sales in gross dollar volume. These indicators enable THK to project household growth and residential demand by unit type, price range, size and density for the Island. Any possible constraints on residential demand are also discussed.

Following the residential demand study is an analysis of the supply of residential projects in the market area. This analysis includes an inventory of locationally competitive projects in the immediate environs. Information gathered will include lot size, price ranges, and market segment.

This product review allows THK to identify what gaps exist in the marketplace and what type of residential products will best capitalize on the opportunities available in the area. Specific recommendations are made regarding the optimum lot/unit prices and development phasing.

To better determine the lodging and rental condominium market potentials for the Island, this study reviews and evaluates the economic, social, and demographic factors influencing the demand for hotel space and considers the supply of lodging accommodations in the greater market area. Historical and projected growth in employment opportunities, population, households, tourism, and other economic indicators are quantified and converted into estimates for hotel and rental condominium demand.

The commercial market in the market area and the environs is examined in Section VII. The potential for retail/commercial development on the Island depends upon population, income characteristics, and household expenditure patterns within the area and specifically the primary trade area. Existing characteristics of the commercial market are described in this section with projections for new demand for the next decade.

The next step in the analysis is to determine the market potentials for a possible golf course. Based on industry standards for golfer drive time/distance habits, local residential development trends, transportation networks, tourism, and the location of existing competitive facilities, the markets from which the golf course will derive the majority of its support is established.

Demand is then quantified and compared with the supply of golf courses in the market area to determine the depth of the market for golf. Specific potentials for the proposed course are based on a synthesis of supply, demand, location, and concept.

As part of the golf analysis, a survey of all golf course facilities in the regional environs has been conducted. All public and private golf course facilities are profiled as to location, date of construction, clubhouse and other amenities, number of holes, fee structure, and any plans for improvements. Planned and proposed golf courses in the area are also described.

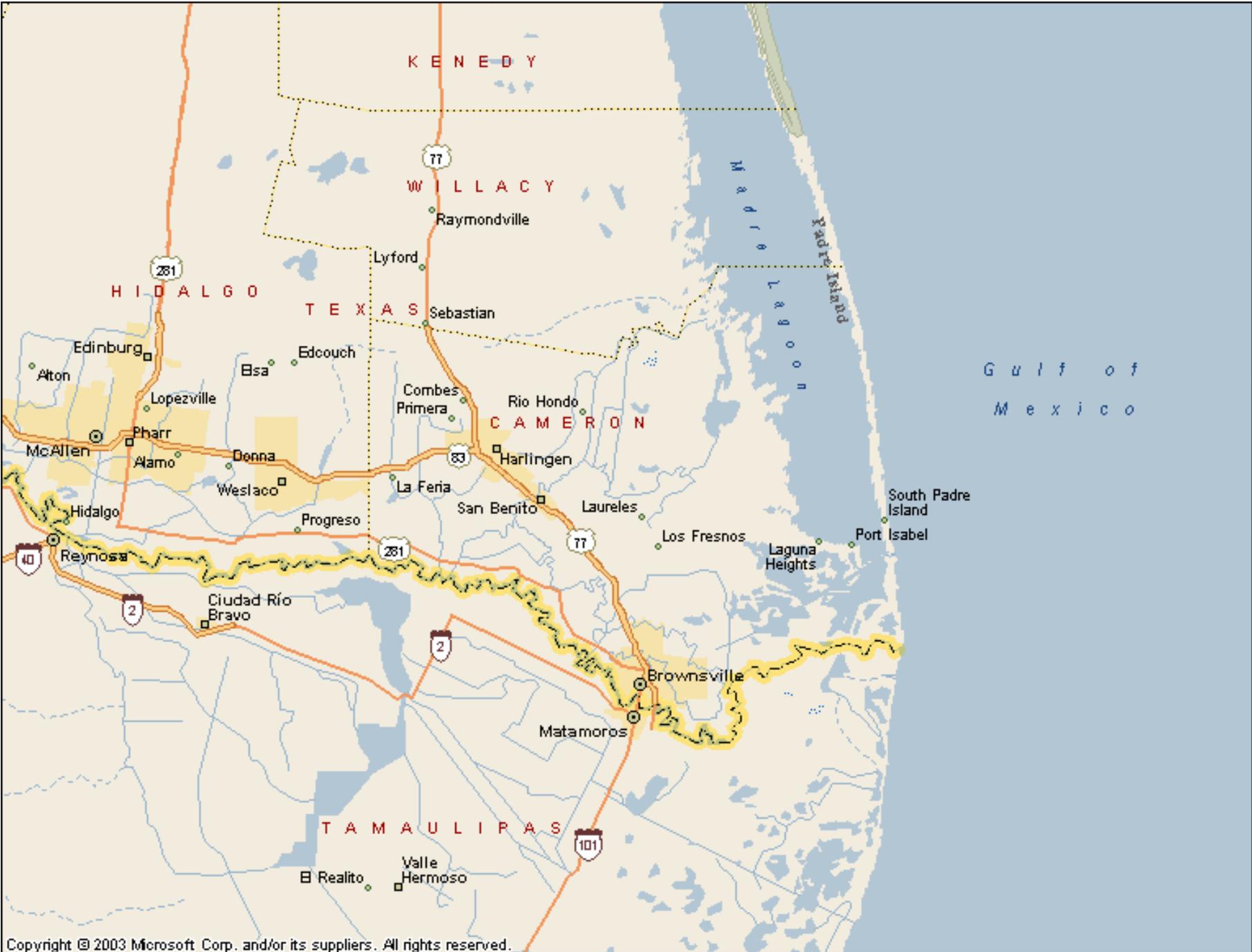
The final section of the golf analysis profiles the cash flows associated with the future operation of the proposed course. Operating revenues and costs are estimated based on budgets from comparable facilities in the area and regional data. With the net operating income established, THK can assess the facility's market feasibility based on its estimated construction cost and proposed debt structure.

The fiscal impact analysis section examines the dollar and cents impacts that can be expected from the development opportunities over the next decade. By applying revenue and expenditure assumptions to the recommended land use model, THK has projected surplus net income that can be expected for the community by implementing recommendations.

In the development strategies, a road map is outlined for South Padre Island's leadership to best achieve goals and objectives set forth in the market analysis sections of this report. Development strategies are outlined for each land use type including residential, hotel and lodging, retail, office/flex, golf course and other strategic improvements.

The report concludes with marketing strategies and an implementation program to best achieve the numerous development opportunities identified in this study.

# REGIONAL LOCATION



## **II. SOUTH PADRE ISLAND DESCRIPTION**

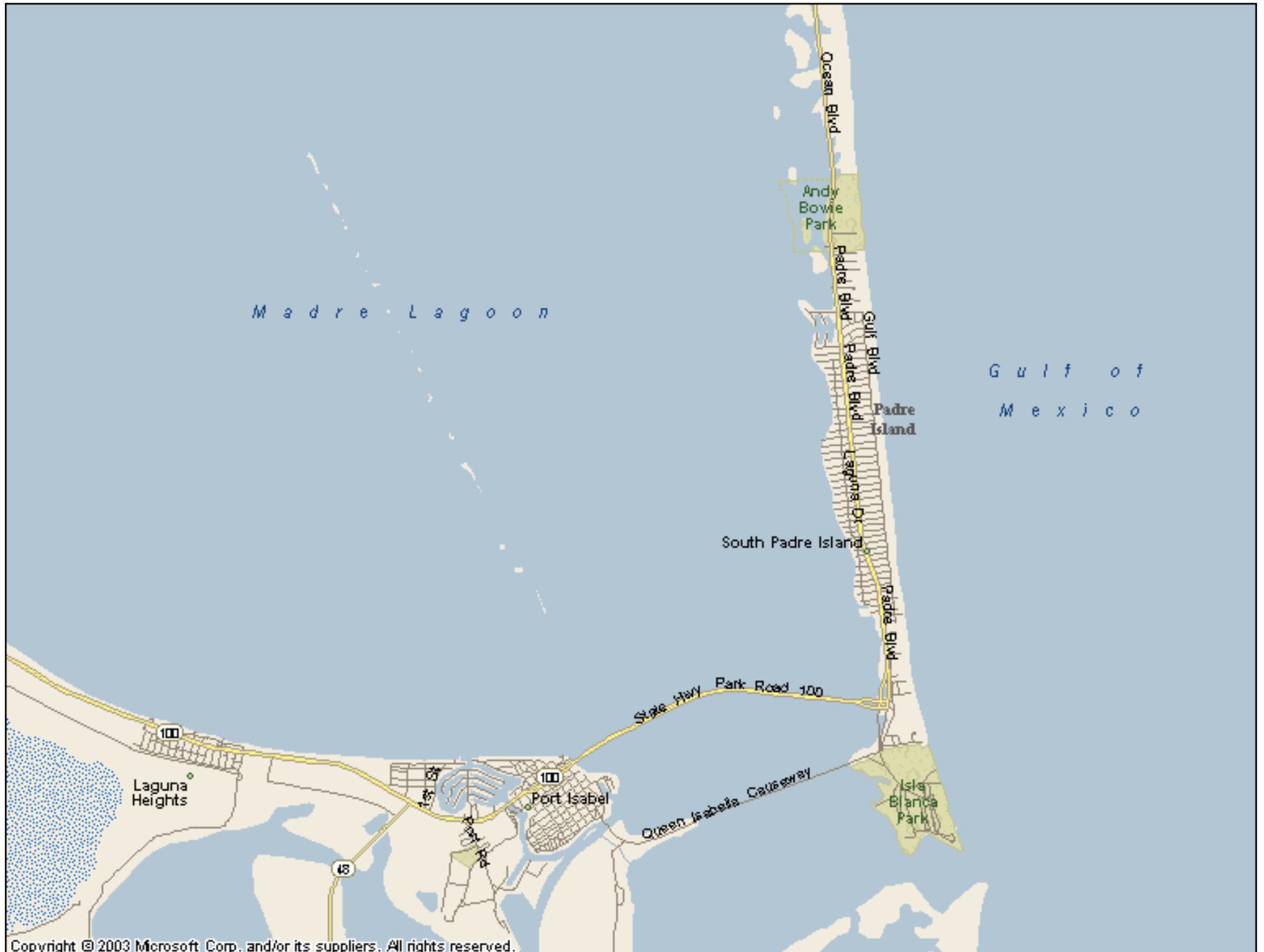
South Padre Island (SPI) sits at the southernmost tip of Texas, just east of the rapidly growing lower Rio Grande Valley, which includes the bustling communities of McAllen, Harlingen, and Brownsville. The growth in this region has been fueled by the North American Free Trade Agreement (NAFTA), which spawned tremendous cross-border trade with Mexico and new plants in duty-free zones along the border. The result has been that Cameron County, the location of all this activity, has added 8,500 people annually for the past 15 years.

The Island itself is a 34-mile long barrier island, just a ½ mile wide at its widest point. It is connected to the mainland by the 2.5-mile Queen Isabella Causeway at Port Isabel. South Padre Island became separated from Padre Island in 1964 with the completion of the Port Mansfield Golf Channel. The main thoroughfare, Padre Boulevard, runs just 11 miles of the 34 mile stretch, with the potential for extending the roadway, allowing for future development to the north in the coming years.

All business and economic activity on the Island, of course, centers around tourism. All the customary beachfront activities are available, while the Island offers a full complement of support services. The more than 5,000 lodging and rental units dwarf the permanent population of just over 2,800 residents, with another 1,000 lodging-type units currently coming in various stages of planning and construction. The Island also has a convention center with 45,000 square feet of meeting and exhibition space.

The breezy, sub-tropical, semi-arid climate, with an average daily temperature of 74 degrees, makes the Island a year-round destination.

# SITE VICINITY



### **III. ECONOMIC BACKGROUND AND FORECAST FOR SOUTH PADRE ISLAND AND THE CAMERON COUNTY MARKET AREA**

#### **A. Employment Growth Trends**

Employment trends are prime indicators of the economic growth of an area. Increases in employment generate growth for most sectors of the local economy and dictate the rate at which it will expand. This section looks at the region's various employment figures and projects their course over the next decade. Table III-1 illustrates employment growth in the Cameron County market area. Over a 34-year period, total employment jumped from 48,386 in 1970 to 150,162 in 2004 - an annual average increase of 2,993 jobs. Between 1994 and 2004, Cameron County area added an average 3,381 jobs on an annual basis. The number of jobs added annually has decreased slightly in recent years, falling to 3,289 jobs annually between 1999 and 2004.

Since 1970, Cameron County has experienced growth in almost all employment sectors. The only exception has been the farming industry, which lost 52 jobs annually between 1970 and 2004. In terms of growth magnitudes, the most significant contributor to the local economy has been the services industry, which averaged the addition of 1,234 new jobs per year during the 1970-2004 period. Other strong growth industries include the retail and construction sectors, which added 379 and 203 jobs respectively on an average annual basis between 1970 and 2003. In the three-year 2001-2004 period, an average of 2,128 new jobs were generated annually in the market area. Table III-2 shows the market area's employment growth by industry from 1970 to 2004.

Fueling Cameron County's employment growth is an increasingly diverse economic base. Table III-3 projects employment by industry for the market area from 2005 to 2015. As shown, the market area will continue to experience strong growth with total employment averaging increases of 3,190 jobs annually. The services and government sectors will lead the way averaging annual gains of 1,740 and 480 jobs respectively. The retail sector will continue to expand, averaging the addition of 430 new jobs per year.

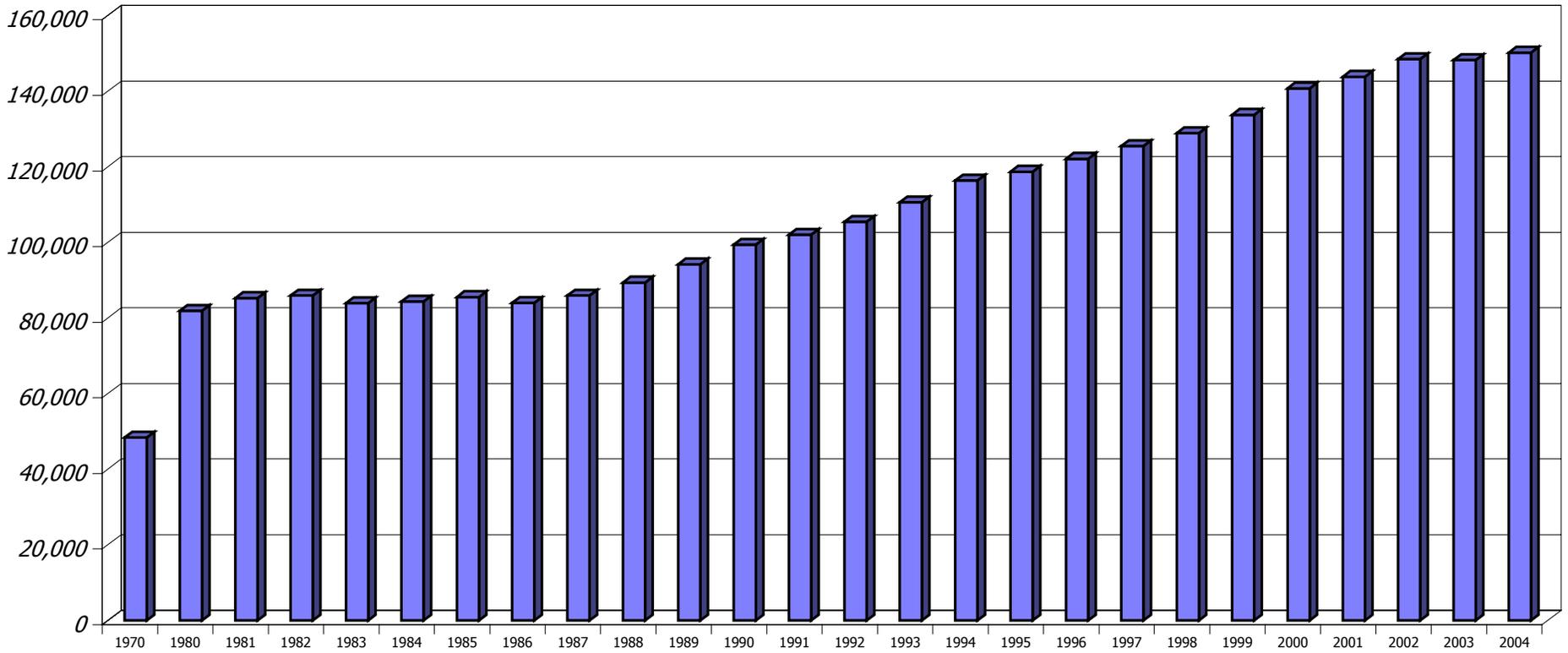
**TABLE III-1: Employment Trends in Cameron County , 1970 - 2004**

Year	Total Employment	Annual Change		
		Numerical	Percent	
1970	48,386	NA	NA	
1980	81,854	3,347	5.4%	
1981	85,250	3,396	4.1%	
1982	85,906	656	0.8%	
1983	83,882	-2,024	-2.4%	
1984	84,320	438	0.5%	
1985	85,508	1,188	1.4%	
1986	84,005	-1,503	-1.8%	
1987	85,887	1,882	2.2%	
1988	89,352	3,465	4.0%	
1989	94,183	4,831	5.4%	
1990	99,392	5,209	5.5%	
1991	102,012	2,620	2.6%	
1992	105,408	3,396	3.3%	
1993	110,589	5,181	4.9%	
1994	116,348	5,759	5.2%	
1995	118,685	2,337	2.0%	
1996	122,090	3,405	2.9%	
1997	125,465	3,375	2.8%	
1998	128,844	3,379	2.7%	
1999	133,715	4,871	3.8%	
2000	140,724	7,009	5.2%	
2001	143,779	3,055	2.2%	
2002	148,444	4,665	3.2%	
2003	148,212	-232	-0.2%	
2004 *	150,162	1,950	1.3%	
Annual Change				
	1970-2004	2,993	3.4%	
	1994-2004	3,381	2.6%	
	1999-2004	3,289	2.3%	
	2001-2004	2,128	1.5%	

\* Estimated based upon available data

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, and THK Associates, Inc.

**Employment Trends in Cameron County, 1970-2004**



**TABLE III-2: Employment By Industry for Cameron County , 1970 - 2004**

Industry	1970	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997
Wage & Salary (By Place of Work)	44,779	78,536	83,064	97,422	100,093	103,469	108,587	114,465	116,856	120,268	123,698
Ag, S,F,F /1	2,253	3,111	2,188	2,490	2,663	2,493	2,595	2,751	3,015	3,105	3,147
Mining	157	381	318	216	219	213	251	259	211	197	196
Construction	2,418	4,615	4,595	3,874	3,843	4,026	4,407	4,776	5,493	5,952	6,335
Manufacturing	4,976	11,752	9,742	12,249	11,796	12,642	13,404	14,147	14,035	13,612	13,274
T & U /2	2,330	3,486	3,976	3,933	4,328	4,400	4,535	4,781	4,851	5,111	5,435
Wholesale Trade	3,013	4,238	3,785	3,827	4,324	4,402	4,285	4,474	4,450	4,512	4,533
Retail Trade	9,495	15,697	17,134	19,701	20,618	21,231	22,214	23,199	22,905	22,806	22,825
FIRE /3	2,504	5,290	5,800	5,911	5,817	5,348	5,677	6,074	6,202	6,694	6,934
Services	9,131	15,285	19,890	26,712	27,663	28,933	30,279	32,067	33,176	35,504	37,589
Government	8,502	14,681	15,636	18,509	18,822	19,781	20,940	21,937	22,518	22,775	23,430
Farm	3,607	3,318	2,444	1,970	1,919	1,939	2,002	1,883	1,829	1,822	1,767
<b>Total Employment</b>	<b>48,386</b>	<b>81,854</b>	<b>85,508</b>	<b>99,392</b>	<b>102,012</b>	<b>105,408</b>	<b>110,589</b>	<b>116,348</b>	<b>118,685</b>	<b>122,090</b>	<b>125,465</b>

Industry	1998	1999	2000	2001	2002	2003	2004*	Average Annual Change			
								1970-2004	1990-2003	1999-2004	2001-2004
Wage & Salary (By Place of Work)	127,124	132,049	138,951	141,877	146,640	146,384	148,310	<b>3,045</b>	<b>3,635</b>	<b>3,252</b>	<b>2,144</b>
Ag, S,F,F /1	2,935	2,701	2,679	2,492	2,345	2,130	1,963	<b>-9</b>	<b>-38</b>	<b>-148</b>	<b>-176</b>
Mining	196	195	186	179	175	165	157	<b>0</b>	<b>-4</b>	<b>-8</b>	<b>-7</b>
Construction	6,416	6,684	7,041	7,155	7,356	7,301	7,350	<b>145</b>	<b>248</b>	<b>133</b>	<b>65</b>
Manufacturing	13,151	13,197	13,265	13,009	12,908	12,363	12,011	<b>207</b>	<b>-17</b>	<b>-237</b>	<b>-333</b>
T & U /2	6,021	6,673	7,045	7,537	8,157	8,523	9,033	<b>197</b>	<b>364</b>	<b>472</b>	<b>499</b>
Wholesale Trade	4,437	4,372	4,734	4,716	4,754	4,625	4,565	<b>46</b>	<b>53</b>	<b>39</b>	<b>-50</b>
Retail Trade	22,774	24,244	25,311	25,708	26,417	26,204	26,366	<b>496</b>	<b>476</b>	<b>424</b>	<b>219</b>
FIRE /3	7,192	7,277	7,824	7,993	8,260	8,241	8,339	<b>172</b>	<b>173</b>	<b>212</b>	<b>116</b>
Services	39,842	41,812	44,716	46,478	48,875	49,612	51,085	<b>1,234</b>	<b>1,741</b>	<b>1,855</b>	<b>1,536</b>
Government	24,160	24,894	26,150	26,609	27,393	27,221	27,440	<b>557</b>	<b>638</b>	<b>509</b>	<b>277</b>
Farm	1,720	1,666	1,773	1,902	1,804	1,828	1,852	<b>-52</b>	<b>-8</b>	<b>37</b>	<b>-17</b>
<b>Total Employment</b>	<b>128,844</b>	<b>133,715</b>	<b>140,724</b>	<b>143,779</b>	<b>148,444</b>	<b>148,212</b>	<b>150,162</b>	<b>2,993</b>	<b>3,626</b>	<b>3,289</b>	<b>2,128</b>

1\ Agricultural Services, Forestry, & Fisheries

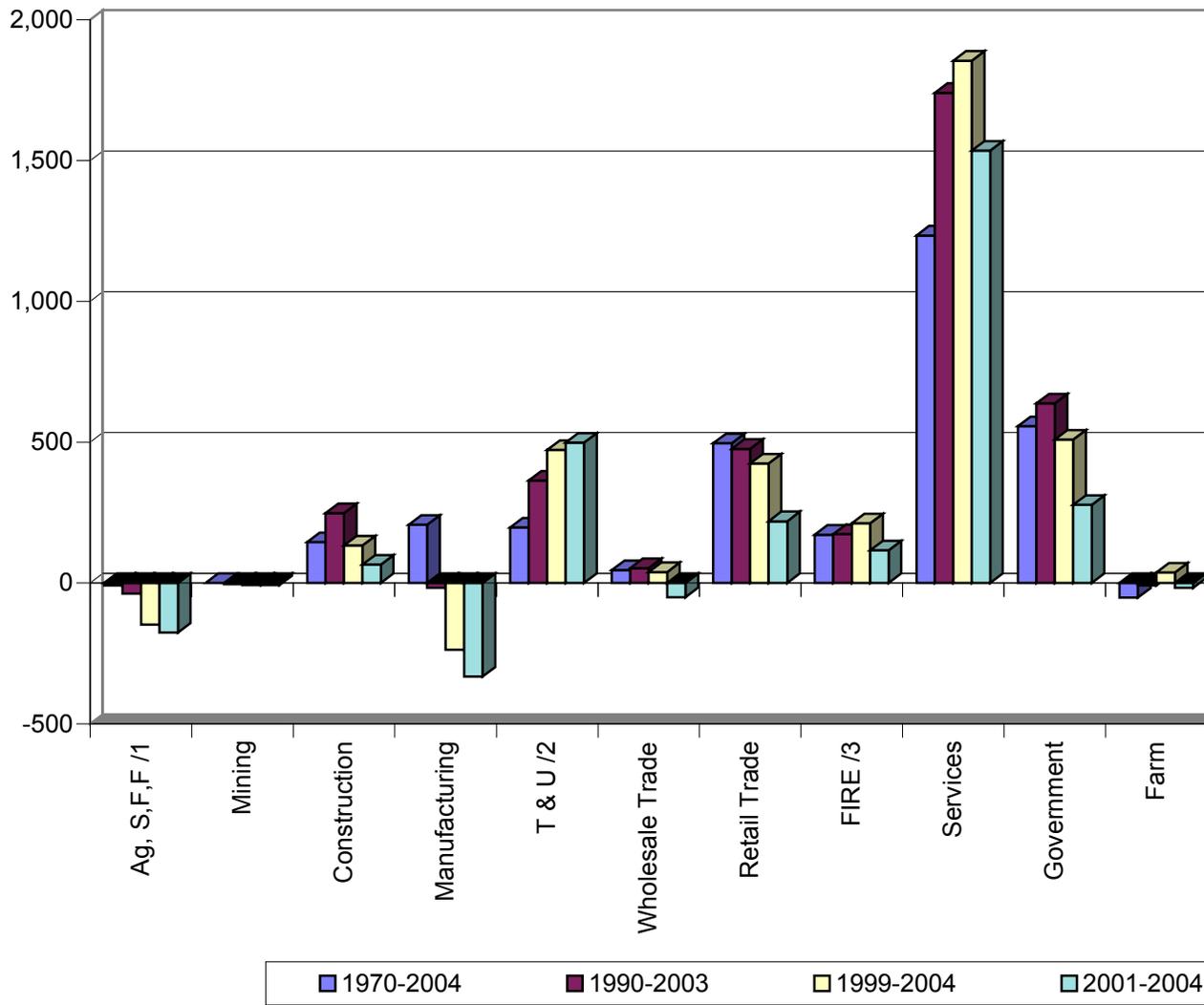
2\ Transportation & Utilities

3\ Finance, Insurance, Real Estate

\* Estimated based upon available data

Source: U.S. Department of Commerce; Bureau of Economic Analysis, and THK Associates, Inc.

**Employment Trends By Industry in Cameron County, 1970-2004**



**TABLE III-3: Projected Employment in Cameron County , 2005 - 2015**

Industry	Annual Rate of Change	2005	2006	2007	2008	2009	2010
Total Non Farm (By Place of Work)	1.9%	151,059	153,884	156,788	159,772	162,838	165,988
Ag, S,F,F /1	-3.7%	1,890	1,820	1,753	1,688	1,626	1,566
Mining	-2.6%	153	149	145	142	138	134
Construction	1.8%	7,482	7,617	7,754	7,894	8,036	8,181
Manufacturing	-1.0%	11,891	11,772	11,655	11,538	11,423	11,308
T & U /2	3.5%	9,349	9,676	10,015	10,365	10,728	11,103
Wholesale Trade	0.5%	4,588	4,611	4,634	4,657	4,680	4,704
Retail Trade	1.5%	26,762	27,163	27,571	27,984	28,404	28,830
FIRE /3	1.9%	8,498	8,659	8,824	8,992	9,162	9,336
Services	2.9%	52,566	54,091	55,659	57,273	58,934	60,643
Government	1.6%	27,879	28,325	28,778	29,239	29,706	30,182
Farm	-0.9%	1,835	1,819	1,802	1,786	1,770	1,754
Total Employment	1.9%	152,894	155,703	158,590	161,558	164,608	167,742
Job growth/(losses)		2,732	2,809	2,887	2,968	3,050	3,134
						<b>Average Annual Change</b>	
Industry	2011	2012	2013	2014	2015		
Wage & Salary (By Place of Work)	169,224	172,549	175,964	179,472	183,075		<b>3,202</b>
Ag, S,F,F /1	1,508	1,452	1,398	1,346	1,297		<b>-59</b>
Mining	131	127	124	121	118		<b>-4</b>
Construction	8,328	8,478	8,630	8,786	8,944		<b>146</b>
Manufacturing	11,195	11,083	10,973	10,863	10,754		<b>-114</b>
T & U /2	11,492	11,894	12,310	12,741	13,187		<b>384</b>
Wholesale Trade	4,727	4,751	4,775	4,799	4,823		<b>23</b>
Retail Trade	29,263	29,702	30,147	30,599	31,058		<b>430</b>
FIRE /3	9,514	9,695	9,879	10,067	10,258		<b>176</b>
Services	62,402	64,212	66,074	67,990	69,962		<b>1,740</b>
Government	30,665	31,155	31,654	32,160	32,675		<b>480</b>
Farm	1,738	1,723	1,707	1,692	1,676		<b>-16</b>
Total Employment	170,962	174,271	177,671	181,163	184,751		<b>3,190</b>
Job growth/(losses)	3,221	3,309	3,400	3,493	3,588		

- 1\ Agricultural Services, Forestry, & Fisheries  
2\ Transportation & Utilities  
3\ Finance, Insurance, Real Estate

Source: THK Associates, Inc.

Regarding these Cameron County employment trends, THK has studied various elements of the South Padre Island community to estimate employment trends on the Island. THK has used the inventory of real estate space and industry norms for the number of employees per unit, or per square foot, to make these estimates. In total, on an average annual basis in 2004, 5,550 people were employed on the Island. This represented an average annual increase of 4.0% or 167 jobs over the 14-year period, since 1990. Of this total employment on South Padre Island, 62.5% were employed in the service sector, especially at hotels and other lodging facilities. Another 17.5% were employed in the retail trade sector with 5.0% employed by the government sector. These three sectors accounted for 85% of total employment on South Padre Island.

The following table demonstrates employment trends on South Padre Island since 1990 and currently the Island represents 3.7% of total employment in Cameron County. It should be noted that THK estimates that almost 95%, or 5,250 of the jobs on the Island are tourism related jobs. Also, of the 2,849 people that permanently reside on South Padre Island, almost 1,800, or 63.2%, are in age levels ranging from 21 to 65 or at the prime employment years. Of these prospects for employment, it is estimated that 40%, or 1,140, are actually employed. Of that number, 500 commute off the Island to their place of employment, and 55%, or 640, are employed on the Island.

**Table III-4: Employment by Industry on South Padre Island, 1990-2004**

	1990	2000	2004	Average Annual Change	
				Number	Percent
Mining & Construction	293	532	555	19	0.40%
Manufacturing	21	22	22	-	-
T & U	14	26	33	1	-
Wholesale	47	53	56	1	-
Retail	726	932	971	18	1.90%
FIRE	118	157	167	4	3.00%
Services	1,814	3,036	3,469	118	4.50%
Government	188	265	278	6	0.30%
	3,221	5,023	5,550	167	4.00%

**Soucre: U.S. Department of Commerce; Bureau of Economic Analysis**

Having profiled historical employment on South Padre Island, it is possible to project future employment. In the following table, employment on the Island is projected through 2015. It should be noted that employment is estimated based upon projected visitor growth, as well as development and construction activity in the lodging industry, in retail commercial square footage, and in office space. As presented, it is estimated that, on average, through the next decade jobs will expand annually by 214, which represents an annual growth rate of 3.22%. This is contrasted to the projected rate of employment growth for Cameron County at 1.9% and the US economy, which is projected to grow at 1.8%. Over the next decade, South Padre Island will account for 10.1% of the growth projected for Cameron County, and by 2015 the Island will represent 4.3% of total Cameron County employment.

Table III-5: Projected Employment Growth on South Padre Island, 2005-2015

Industry	Annual Growth Rate	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change
Mining and Construction	1.040	577	600	624	649	675	702	730	760	790	822	854	28
Manufacturing	1.002	22	22	22	22	22	22	23	23	23	23	23	0
T & U*	1.005	33	34	34	34	34	34	34	35	35	35	35	0
Wholesale Trade	1.007	56	56	57	57	57	58	58	59	59	60	60	0
Retail Trade	1.030	1,000	1,030	1,061	1,093	1,126	1,160	1,195	1,230	1,267	1,305	1,344	34
FIRE**	1.028	171	176	181	186	191	197	202	208	213	219	226	5
Services	1.033	3,583	3,701	3,824	3,950	4,080	4,215	4,354	4,498	4,646	4,799	4,958	137
Government	1.025	284	292	299	306	314	322	330	338	347	355	364	8
Total	3.22%	5,728	5,912	6,102	6,298	6,500	6,710	6,926	7,149	7,380	7,618	7,864	214

Source: U.S. Department of Commerce; Bureau of Economic Analysis, THK associates, Inc.

## **B. Population and Permanent Household Growth Trends in Cameron County and South Padre Island**

Trends in population and household growth are principal indicators of the potential demand for real estate development. Population growth in Cameron County has been solid since 1980; recent data shows this trend continuing. Since 1980, the population in the county has increased by 7,120 people annually from 209,727 to 387,684 in 2005 as illustrated in Table III-6. The number of permanent households increased by 2,240 annually during the same period, jumping from 58,418 in 1980 to 114,361 in 2005. The compound annual growth rate for population in the market area over the last 25 years was 2.5% per year; households grew at a compound rate of 2.7%.

South Padre Island has added an annual average of 80 persons and 40 permanent households between 1990 and 2005. During 2000 to 2005, the town posted annual gains of 90 persons and 50 households. The area within a 20-minute drive time of South Padre Island has seen substantial growth in recent years, adding 360 people and 160 households annually between 2000 and 2005. There are currently 14,437 people living in 5,478 households within 20 minutes of South Padre Island.

**TABLE III-6: Estimates of Population and Households in Cameron County, 1980 - 2005**

Year	South Padre Island		20-Minute Drive Time		Cameron County	
	Population	Households	Population	Households	Population	Households
1980	--	--	--	--	209,727	58,418
1990	1,677	813	9,443	3,181	260,120	73,278
2000	2,422	1,211	12,626	4,695	335,227	97,267
2005	2,849	1,446	14,437	5,478	387,684	114,361
(1980-2005):						
Numerical	--	--	--	--	7,120	2,240
Percent	--	--	--	--	2.5%	2.7%
Percent of Total	--	--	--	--	100.0%	100.0%
(1990-2005):						
Numerical	80	40	330	150	8,500	2,740
Percent	3.6%	3.9%	2.9%	3.7%	2.7%	3.0%
Percent of Total	0.9%	1.5%	12.0%	5.5%	100.0%	100.0%
(2000-2005):						
Numerical	90	50	360	160	10,490	3,420
Percent	3.3%	3.6%	2.7%	3.1%	3.0%	3.3%
Percent of Total	0.9%	1.5%	10.5%	4.7%	100.0%	100.0%

Source: U.S. Dept of Commerce, Bureau of Census, and THK Associates, Inc.

### **C. Residential Construction Trends in Cameron County**

Residential housing construction by type and tenure is displayed in Table III-7. As shown, single-family construction has dominated historical permit activity in Cameron County, ranging from 81% of permits issued over the last 25 years to 88% of permits issued since 2002. Multi-family unit construction activity has decreased in recent years, accounting for under 15% of permits authorized since 1995. Multi-family construction is defined as attached townhome, condominium and rental multi-family housing.

In Table III-8, THK has broken down county permits by unit type and year, and compared these permits to the Town of South Padre Island. South Padre Island accounts for 4.5% of all single-family permits issued since 1980, and only 2% of all single-family permits issued since 2002. The Town of South Padre Island accounts for 23% of all multi-family construction since 2002. While construction activity in Cameron County has been growing, building activity has remained steady on South Padre Island, actually increasing its share of total county permit activity from 2.4% of permits issued since 1995 to 2.7% of permits issued since 2002.

**Table III-7: Residential Building Permits Issued by Type and Tenure  
in Cameron County, 1980 - 2005**

Year	Single Family Construction	Percent of Total	Multi Family Construction	Percent of Total	Total Construction	Percent of Total
1980	1,644	65.3%	875	34.7%	2,519	100%
1981	1,744	73.4%	631	26.6%	2,375	100%
1982	1,125	49.4%	1,151	50.6%	2,276	100%
1983	969	58.7%	681	41.3%	1,650	100%
1984	913	56.0%	716	44.0%	1,629	100%
1985	1,114	79.0%	296	21.0%	1,410	100%
1986	737	91.9%	65	8.1%	802	100%
1987	586	90.6%	61	9.4%	647	100%
1988	544	96.1%	22	3.9%	566	100%
1989	194	79.2%	51	20.8%	245	100%
1990	636	98.5%	10	1.5%	646	100%
1991	1,049	94.8%	57	5.2%	1,106	100%
1992	1,327	94.2%	81	5.8%	1,408	100%
1993	1,495	87.7%	210	12.3%	1,705	100%
1994	1,659	77.7%	477	22.3%	2,136	100%
1995	1,736	85.7%	289	14.3%	2,025	100%
1996	1,789	70.7%	743	29.3%	2,532	100%
1997	1,660	84.8%	297	15.2%	1,957	100%
1998	1,992	84.8%	358	15.2%	2,350	100%
1999	2,081	82.0%	458	18.0%	2,539	100%
2000	2,800	90.1%	306	9.9%	3,106	100%
2001	2,789	90.1%	305	9.9%	3,094	100%
2002	3,244	82.8%	673	17.2%	3,917	100%
2003	3,208	92.9%	244	7.1%	3,452	100%
2004	3,158	87.9%	434	12.1%	3,592	100%
2005 *	709	89.9%	80	10.1%	789	100%
25 Year Average 1980-2004	1,608	80.9%	380	19.1%	1,987	100%
10 Year Average 1995-2004	2,446	85.6%	411	14.4%	2,856	100%
5 Year Average 2000-2004	3,040	88.6%	392	11.4%	3,432	100%
3 Year Average 2002-2004	3,203	87.7%	450	12.3%	3,654	100%

\*2005 permits through March

Source: U.S. Department of Commerce; C-40 Reports, THK Associates, Inc.

**Table III-8: Residential Building Permits Issued in Cameron County , 1980 - 2004**

**Single Family**

Year	South Padre Island		Cameron County	
	Permits	% of Total	Permits	% of Total
1980	495	30.1%	1,644	100.0%
1981	583	33.4%	1,744	100.0%
1982	28	2.5%	1,125	100.0%
1983	25	2.6%	969	100.0%
1984	22	2.4%	913	100.0%
1985	20	1.8%	1,114	100.0%
1986	11	1.5%	737	100.0%
1987	17	2.9%	586	100.0%
1988	17	3.1%	544	100.0%
1989	27	13.9%	194	100.0%
1990	21	3.3%	636	100.0%
1991	28	2.7%	1,049	100.0%
1992	29	2.2%	1,327	100.0%
1993	34	2.3%	1,495	100.0%
1994	52	3.1%	1,659	100.0%
1995	39	2.2%	1,736	100.0%
1996	33	1.8%	1,789	100.0%
1997	22	1.3%	1,660	100.0%
1998	22	1.1%	1,992	100.0%
1999	20	1.0%	2,081	100.0%
2000	21	0.8%	2,800	100.0%
2001	59	2.1%	2,789	100.0%
2002	68	2.1%	3,244	100.0%
2003	72	2.2%	3,208	100.0%
2004	50	1.6%	3,158	100.0%
25 Year Average 1980-2004	73	4.5%	1,608	100.0%
10 Year Average 1995-2004	41	1.7%	2,446	100.0%
5 Year Average 2000-2004	54	1.9%	2,880	100.0%
3 Year Average 2002-2004	63	2.0%	3,100	100.0%

## Multi-Family

Year	South Padre Island		Cameron County	
	Permits	% of Total	Permits	% of Total
1980	165	18.9%	875	100.0%
1981	405	64.2%	631	100.0%
1982	566	49.2%	1,151	100.0%
1983	290	42.6%	681	100.0%
1984	269	37.6%	716	100.0%
1985	98	33.1%	296	100.0%
1986	10	15.4%	65	100.0%
1987	10	16.4%	61	100.0%
1988	10	45.5%	22	100.0%
1989	0	0.0%	51	100.0%
1990	0	0.0%	10	100.0%
1991	10	17.5%	57	100.0%
1992	4	4.9%	81	100.0%
1993	12	5.7%	210	100.0%
1994	59	12.4%	477	100.0%
1995	21	7.3%	289	100.0%
1996	20	2.7%	743	100.0%
1997	18	6.1%	297	100.0%
1998	20	5.6%	358	100.0%
1999	14	3.1%	458	100.0%
2000	16	5.2%	306	100.0%
2001	61	20.0%	305	100.0%
2002	50	7.4%	673	100.0%
2003	40	16.4%	244	100.0%
2004	14	3.2%	434	100.0%
25 Year Average 1980-2004	87	23.0%	380	100.0%
10 Year Average 1995-2004	27	6.7%	411	100.0%
5 Year Average 2000-2004	36	9.2%	392	100.0%
3 Year Average 2002-2004	35	7.7%	450	100.0%

**Total**

Year	South Padre Island		Cameron County	
	Permits	% of Total	Permits	% of Total
1980	660	26.2%	2,519	100.0%
1981	988	41.6%	2,375	100.0%
1982	594	26.1%	2,276	100.0%
1983	315	19.1%	1,650	100.0%
1984	291	17.9%	1,629	100.0%
1985	118	8.4%	1,410	100.0%
1986	21	2.6%	802	100.0%
1987	27	4.2%	647	100.0%
1988	27	4.8%	566	100.0%
1989	27	11.0%	245	100.0%
1990	21	3.3%	646	100.0%
1991	38	3.4%	1,106	100.0%
1992	33	2.3%	1,408	100.0%
1993	46	2.7%	1,705	100.0%
1994	111	5.2%	2,136	100.0%
1995	60	3.0%	2,025	100.0%
1996	53	2.1%	2,532	100.0%
1997	40	2.0%	1,957	100.0%
1998	42	1.8%	2,350	100.0%
1999	34	1.3%	2,539	100.0%
2000	37	1.2%	3,106	100.0%
2001	120	3.9%	3,094	100.0%
2002	118	3.0%	3,917	100.0%
2003	112	3.2%	3,452	100.0%
2004	64	1.8%	3,592	100.0%
25 Year Average 1980-2004	160	8.0%	1,987	100.0%
10 Year Average 1995-2004	68	2.4%	2,856	100.0%
5 Year Average 2000-2004	90	2.6%	3,432	100.0%
3 Year Average 2002-2004	98	2.7%	3,654	100.0%

Source: U.S. Department of Commerce, C-40 Reports and THK Associates, Inc.

#### **D. Population and Household Projections for Cameron County and South Padre Island**

The employment participation rate, typically expressed as a decimal, has been increasing steadily during the past two to three decades. A rising employment participation rate is a good indicator of improving conditions in the regional economy. First, a large number of people are employed in the work force, which has a corresponding effect on unemployment levels. Secondly, a larger number of workers in a low wage market provide an ample labor supply for expanding firms or new firms relocating to the area. Finally, more workers earning salaries will boost the area's volume of disposable income available for new retail, housing and related expenditures.

Population, household, and employment data for Cameron County are compared in Table III-9. In 1980, the population of the county was 209,727 and resident employment was 81,854 for an employment participation rate of 0.3903. By 2000, the market area's resident employment had increased to 140,724 with a population of 335,227 for an employment participation rate of .4198. In Table III-9, the population growth of the county is projected based on the anticipated employment growth. With a projected January 1, 2015 resident employment of 184,750, the estimated 2015 population for the market area will be 487,620 with a projected employment participation rate of .3739. The county population is projected to grow 9,990 persons per year through 2015.

Table III-9 also shows the projected trends in new household formations for Cameron County. Historically, household size has been declining due to an increased divorce rate, delayed marriages, and the ever-larger population segment of single-parent households who formed the bulk of new household formations during the last decade. More recently, the decline in household size has been the result of smaller families (fewer children). The population per household in the county declined from 3.55 in 1980 to 3.40 in 2000; single households were among the most rapidly growing population segments. The 2005 household averages 3.35 members.

During the next decade, household size should continue to decline but at a slower rate. The divorce rate now appears to be leveling off and the majority of the "baby boomer" generation will be reaching the traditional retirement age of 65 en masse, which will create additional demand for second or seasonal households. New household formations in Cameron County are projected to grow by an average of 3,270 annually during the next decade, with the average household size declining slightly to 3.29.

**TABLE III-9: Projected Population and Households in Cameron County , 2005 - 2015**

Year	Total Employment	Employment Participation Ratio	January 1, Population	Annual Population Change	Population in Group Quarters	Population In Households	Population Per Household	Households	Annual Household Change
1980	81,854	0.3903	209,727		1,985	207,742	3.5561	58,418	
1990	99,392	0.3821	260,120	5,040	5,017	255,103	3.4813	73,278	1,490
2000	140,724	0.4198	335,227	7,510	4,089	331,138	3.4044	97,267	2,400
2005	152,894	0.3944	387,684	10,490	4,140	383,544	3.3538	114,361	3,420
2006	155,700	0.3928	396,380	8,696	4,150	392,230	3.3471	117,190	2,829
2007	158,590	0.3912	405,360	8,980	4,161	401,199	3.3404	120,110	2,920
2008	161,560	0.3897	414,610	9,250	4,171	410,439	3.3337	123,120	3,010
2009	164,610	0.3881	424,140	9,530	4,182	419,958	3.3270	126,230	3,110
2010	167,740	0.3866	433,940	9,800	4,192	429,748	3.3204	129,430	3,200
2011	170,960	0.3850	444,040	10,100	4,202	439,838	3.3138	132,730	3,300
2012	174,270	0.3835	454,460	10,420	4,213	450,247	3.3071	136,140	3,410
2013	177,670	0.3819	465,190	10,730	4,224	460,966	3.3005	139,670	3,530
2014	181,160	0.3804	476,230	11,040	4,234	471,996	3.2939	143,290	3,620
2015	184,750	0.3789	487,620	11,390	4,245	483,375	3.2873	147,040	3,750
<b>Average Annual Change (2005-2015)</b>									
<b>Numerical:</b>	<b>3,190</b>		<b>9,990</b>		<b>10</b>	<b>9,980</b>		<b>3,270</b>	
<b>Percent:</b>	<b>1.9%</b>		<b>2.3%</b>		<b>0.2%</b>	<b>2.3%</b>		<b>2.5%</b>	

Source: Dept of Commerce, Bureau of the Census and THK Associates, Inc.

On South Padre Island, the permanent population is 2,849 people residing in 1,446 households. In Table III-10, this population is profiled by age level and is projected through 2015. As shown in Table III-10, South Padre Island's permanent population will grow from 2,849 people in 2005 to 4,010 in 2015, which represents an average annual rate of increase of 116 people. Households will increase from 1,446 in 2005 to 2,100 in 2015, or at 65 per year. Table III-10 also illustrates that 62.9% of South Padre Island's permanent population is over the age of 40 today, with 26.3% over the age of 60.

**TABLE III-10: AGE AND GENDER DISTRIBUTION OF SOUTH PADRE ISLAND, 2000 - 2015**

	2000		2005		2010		2015	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Male</b>								
0-4	45	3.5%	53	3.6%	88	5.0%	107	5.1%
5-11	58	4.5%	72	4.8%	131	7.5%	158	7.6%
12-17	58	4.5%	64	4.3%	104	5.9%	119	5.7%
18-29	182	14.1%	171	11.6%	214	12.2%	256	12.3%
30-39	184	14.3%	200	13.5%	237	13.5%	281	13.5%
40-49	196	15.2%	241	16.3%	290	16.5%	342	16.4%
50-59	221	17.1%	291	19.7%	317	18.1%	372	17.9%
60-64	103	8.0%	116	7.8%	116	6.6%	137	6.6%
65+	242	18.8%	271	18.3%	258	14.7%	310	14.9%
<b>Total</b>	<b>1,289</b>	<b>100.0%</b>	<b>1,479</b>	<b>100.0%</b>	<b>1,754</b>	<b>100.0%</b>	<b>2,081</b>	<b>100.0%</b>

	2000		2005		2010		2015	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Female</b>								
0-4	55	4.9%	56	4.1%	81	5.0%	98	5.1%
5-12	47	4.1%	77	5.6%	127	7.8%	153	7.9%
12-17	51	4.5%	57	4.1%	97	5.9%	111	5.7%
18-29	135	11.9%	134	9.8%	174	10.7%	208	10.8%
30-39	161	14.2%	172	12.5%	199	12.2%	236	12.2%
40-49	183	16.1%	241	17.6%	282	17.3%	332	17.2%
50-59	204	18.0%	270	19.7%	291	17.9%	342	17.7%
60-64	94	8.3%	111	8.1%	110	6.8%	131	6.8%
65+	204	18.0%	251	18.3%	265	16.3%	318	16.5%
<b>Total</b>	<b>1,133</b>	<b>100.0%</b>	<b>1,370</b>	<b>100.0%</b>	<b>1,626</b>	<b>100.0%</b>	<b>1,929</b>	<b>100.0%</b>

	2000		2005		2010		2015	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Total</b>								
0-4	100	4.1%	109	3.8%	169	5.0%	205	5.1%
5-12	105	4.3%	149	5.2%	258	7.6%	310	7.7%
12-17	109	4.5%	121	4.2%	200	5.9%	230	5.7%
18-29	317	13.1%	305	10.7%	388	11.5%	465	11.6%
30-39	345	14.2%	372	13.1%	436	12.9%	517	12.9%
40-49	378	15.6%	483	16.9%	571	16.9%	674	16.8%
50-59	424	17.5%	562	19.7%	609	18.0%	714	17.8%
60-64	197	8.1%	227	8.0%	226	6.7%	268	6.7%
65+	446	18.4%	522	18.3%	522	15.5%	628	15.7%
<b>Total</b>	<b>2,422</b>	<b>100.0%</b>	<b>2,849</b>	<b>100.0%</b>	<b>3,380</b>	<b>100.0%</b>	<b>4,010</b>	<b>100.0%</b>

Source: U.S. Bureau of the Census, and THK Associates, Inc.

## **IV. TOURISM AND VISITATION**

### **A. General Visitation Trends**

With its unique setting, pristine beach environment, and abundant water and outdoor activities, South Padre Island continues to establish itself as a premier visitor center. As the area gains more recognition as a year-round vacation retreat, there will be a growing need to preserve, improve, and add to the amenities and attractions sought by the rising tide of tourists.

The magnitude of visitors that travel to an area, or merely pass through the environs, can have a substantial impact on the local economy. These visitors are an important base for retail sales, lodging occupancies, and for other sectors of the service economy. In turn, these revenues provide spinoff demands for employment, housing, and support economic activities. In order to better identify tourism's affects on the area's economy, it is important to identify characteristics of the visitors that are unique to the area. Socio-economic statistics on tourists allow insights into what types of development will best suit the various visiting segments. Other items of interest are methods of arrival, length of visit, motivation for travel, and type of accommodation desired.

Attracted to the scenic beauty and recreational excitement associated with the area's unique beachfront environment, tourists flock to South Padre Island, particularly during spring break and the summer months. Aside from the full range of water-related sports and activities, South Padre Island has increased its presence in the "birding" sector of the tourism industry, given its natural location for bird migration patterns and nesting, and also as an eco-tourism location. The area has proven it can draw destination tourists and is ideally situated to further develop its tourist market through the development of more recreation and commercial amenities.

Tables IV-1 and IV-2 detail annual and monthly traffic crossing the Queen Isabella Causeway to South Padre Island, which serve as a baseline for determining total and seasonal visitation to the Island. As shown, traffic has increased steadily over the past fifteen years, with over 8.0 million vehicle trips being made across the bridge in 2004. The 2001 total has been excluded due to the collapse and closure of the bridge from September 15 to November 21. Just under 33% of these trips are made in July, August, and September. Based on this growth in bridge traffic, THK has estimated, for the purposes of this analysis, a total of 8.0 million vehicle trips for 2005.

**Table IV-1: Annual & Daily Traffic Counts Across Causeway to South Padre Island, 1990-2004**

Year	Annual Traffic	Daily Traffic	Percent Change
1990	5,704,585	15,629	
1991	5,702,030	15,622	0.0%
1992	5,872,485	16,089	3.0%
1993	6,126,525	16,785	4.3%
1994	6,708,335	18,379	9.5%
1995	6,758,705	18,517	0.8%
1996	6,829,880	18,712	1.1%
1997	6,939,745	19,013	1.6%
1998	7,257,660	19,884	4.6%
1999	7,215,320	19,768	-0.6%
2000	7,476,295	20,483	3.6%
2001	NA	NA	
2002	7,632,150	20,910	
2003	7,807,715	21,391	2.3%
2004	7,831,424	21,456	0.3%
<b>Annual Change</b>			
1990-2004	151,917	416	2.3%
1995-2004	119,191	327	1.7%

\*2001 total has been excluded due to bridge collapse on Sept. 15

Source: Texas Department of Transportation & THK Associates, Inc.

**TABLE IV-2: South Padre Island Causeway Traffic By Month, 2004**

Month	Average Daily Traffic	Monthly Total	Monthly Percent of Total
January	18,732	580,695	7.4%
February	20,256	567,180	7.2%
March	25,015	775,480	9.9%
April	21,243	637,295	8.1%
May	22,169	687,247	8.8%
June	26,501	795,033	10.2%
July	32,567	1,009,577	12.9%
August	23,513	728,910	9.3%
September	18,407	552,222	7.1%
October	18,121	561,752	7.2%
November	14,919	447,562	5.7%
December	15,757	488,471	6.2%
<b>Average</b>	<b>21,456</b>	<b>652,619</b>	<b>8.3%</b>
<b>Total</b>	<b>7,831,424</b>		

Source: Texas Dept. of Transportation & THK Associates, Inc.

The following tables indicate trends in visitation and tourist spending on South Padre Island. As shown in Table IV-3, Cameron County, and particularly SPI, have shown relatively strong growth in visitor expenditures, according to the Texas Department of Tourism and THK. Growth in expenditures on SPI has averaged almost 5.0% since 1999. Figures for 2004 are not yet available for 2004 but based on lodging revenues and other indicators visitor expenditures on SPI grew by likely close to 7.0%, to around \$290 million.

Table IV-4 shows that lodging revenues on SPI comprise almost 70% of total Cameron County revenues. This figure has been steadily climbing since 1990. The annual growth rates of over 5.0% show clearly that while occupancies have hovered in the mid to high 40% range, room rates have been rising steadily.

Airline travel through the regional airports has also been on the rise in recent years, as shown in Table IV-5. Over 1/2 million passengers boarded commercial flights in Harlingen and Brownsville in 2004, a 10% jump over 2003. Early figures for 2005 show another increase is likely.

**TABLE IV-3: Estimated Visitor Expenditures in Cameron County and South Padre Island, 1994-2003**

Year	Cameron County	Annual Change		South Padre Island*	Annual Change	
		Number	Percent		Number	Percent
1994	\$403,200,000			\$179,716,000		
1995	\$408,600,000	\$5,400,000	1.3%	\$177,080,000	-\$2,636,000	-1.5%
1996	\$426,500,000	\$17,900,000	4.4%	\$184,156,000	\$7,076,000	4.0%
1997	\$449,100,000	\$22,600,000	5.3%	\$197,456,000	\$13,300,000	7.2%
1998	\$459,500,000	\$10,400,000	2.3%	\$207,524,000	\$10,068,000	5.1%
1999	\$485,700,000	\$26,200,000	5.7%	\$223,928,000	\$16,404,000	7.9%
2000	\$519,500,000	\$33,800,000	7.0%	\$247,636,000	\$23,708,000	10.6%
2001	\$525,800,000	\$6,300,000	1.2%	\$254,884,000	\$7,248,000	2.9%
2002	\$543,900,000	\$18,100,000	3.4%	\$277,632,000	\$22,748,000	8.9%
2003	\$539,900,000	-\$4,000,000	-0.7%	\$270,436,000	-\$7,196,000	-2.6%
2004**	\$577,693,000	\$37,793,000	7.0%	\$290,000,000	\$19,564,000	7.0%
Annual Change						
1994-2003	\$15,188,889		3.3%	\$10,080,000		4.6%
1999-2003	\$13,550,000		2.7%	\$11,627,000		4.8%

\*SPI figures estimated based on known lodging and retail expenditures

\*\* THK Estimate

Source: Texas Department of Tourism and THK Associates, Inc.

**TABLE IV-4: Estimated Lodging Revenue in Cameron County and South Padre Island, 1990-2004**

Year	Cameron County	Annual Change		South Padre Island	Annual Change		SPI as Percent of Cameron County
		Number	Percent		Number	Percent	
1990	\$54,794,000			\$34,241,000			62.5%
1991	\$58,657,000	\$3,863,000	7.1%	\$36,885,000	\$2,644,000	7.7%	62.9%
1992	\$61,037,000	\$2,380,000	4.1%	\$38,121,000	\$1,236,000	3.4%	62.5%
1993	\$63,764,000	\$2,727,000	4.5%	\$40,534,000	\$2,413,000	6.3%	63.6%
1994	\$68,636,000	\$4,872,000	7.6%	\$44,929,000	\$4,395,000	10.8%	65.5%
1995	\$67,282,000	\$3,518,000	5.5%	\$44,270,000	-\$659,000	-1.5%	65.8%
1996	\$70,486,000	\$3,204,000	4.8%	\$46,039,000	\$1,769,000	4.0%	65.3%
1997	\$78,425,000	\$7,939,000	11.3%	\$49,364,000	\$3,325,000	7.2%	62.9%
1998	\$80,539,000	\$2,114,000	2.7%	\$51,881,000	\$2,517,000	5.1%	64.4%
1999	\$84,679,000	\$4,140,000	5.1%	\$55,982,000	\$4,101,000	7.9%	66.1%
2000	\$92,646,000	\$7,967,000	9.4%	\$61,909,000	\$5,927,000	10.6%	66.8%
2001	\$96,146,000	\$3,500,000	3.8%	\$63,721,000	\$1,812,000	2.9%	66.3%
2002	\$102,202,000	\$6,056,000	6.3%	\$69,408,000	\$5,687,000	8.9%	67.9%
2003	\$99,882,000	-\$2,320,000	-2.3%	\$67,609,000	-\$1,799,000	-2.6%	67.7%
2004	\$105,278,000	\$3,076,000	3.1%	\$71,985,000	\$4,376,000	6.5%	68.4%
Annual Change							
1990-2004	\$3,606,000		4.8%	\$2,696,000		5.5%	
1999-2004	\$4,119,800		4.5%	\$3,200,600		5.2%	

Source: Texas Department of Tourism, & THK Associates, Inc.

**TABLE IV-5: Airline Boardings in the South Padre Island Region**

	Valley (Harlingen) International Airport Change			Brownsville Airport Change			Total Change		
	Passengers	Number	Percent	Passengers	Number	Percent	Passengers	Number	Percent
2001	391,325			70,074			461,399		
2002	438,559	47,234	12.1%	70,854	780	1.1%	509,413	48,014	10.4%
2003	401,567	-36,992	-8.4%	61,973	-8,881	-12.5%	463,540	-45,873	-9.0%
2004	444,025	42,458	10.6%	67,821	5,848	9.4%	511,846	48,306	10.4%
2005*	152,148			25,483	NA	NA	177,631	NA	NA
<b>Average Annual Change</b>									
<b>2001 - 2004</b>		<b>17,567</b>	<b>4.7%</b>		<b>-751</b>	<b>-0.7%</b>		<b>16,816</b>	<b>3.9%</b>

\*2005 Airline boardings through April

Source: BRO & HRL Airport Management & THK Associates, Inc.

The chart below shows the major employers on SPI. This shows the dramatic impact tourism has on employment on the Island, and helps determine the number of employees commuting from the mainland to work on the Island.

**Table IV-6: Top Employers on South Padre Island**

<b>Employer</b>	<b># of Employees</b>	
	<b>Peak</b>	<b>Off-Peak</b>
Schlitterbahn Beach Water Park	350	80
Town of South Padre Island	226	126
Sheraton Fiesta Beach Resort	225	135
Radisson Resort	200	160
Blackbeard's Restaurant	180	115
Bahia Mar Resort	150	75
Louie's Backyard	130	60
Holiday Inn Sunspree Resort	125	85
Sea Ranch Enterprises	90	70
9 Business Total	1676	906
Percent of Total South Padre Employment	30.20%	16.30%

Source: SPIEDC & THK Associates

## B. Causeway Traffic and Island Visitation by Market Segment

The following table details and summarizes THK's estimates of visitors to SPI by market segment, and highlights who is crossing the Queen Isabella Causeway. This is done by using THK's statistics and data compiled for residents, employees, and tourist facilities on the Island, and by determining the number of bridge crossings for each group. This can be deduced by using the historical growth in bridge vehicle crossings and estimating 8.0 million trips for 2005, and subtracting each market segment using occupancies, average group sizes and length of stay. As shown, a tremendous amount of visitation comes from day visitors, who comprise around 80% of total visits. This group is comprised of the 400,000 residents of Cameron County, people staying in the several thousand lodging units out with SPI, as well as Mexican Nationals and people residing in outlying counties. In total, THK estimates that just over 5.1 million visits were made to SPI in 2004.

**Table IV-7: Queen Isabella Causeway Crossings and Island Visitation by Market Segment, 2005**

<b>Market Segment</b>		<b># of Crossings</b>	<b># of Visitors</b>
Permanent Residents			
	2,800		
Resident Crossings	10/week	1,456,000	
Employment/General Business Travel			
Cameron County Tourism Jobs	7,650		
SPI Tourism Jobs	5,250		
Commuters to SPI Tourism Jobs	4,750		
SPI Residents Commuting to Outside Jobs	500		
Commuting Vehicles	3,000		
Commuter Crossings	10/week	1,560,000	
Misc. Business/Truck Crossings		547,500	
Lodging/Rental Condo/RV Visitors			
Units/Spaces	5,000		
Units/Spaces Occupied Daily	2,000		
Total "Room Nights"	730,000		
Average Length of Stay	2.75		
#of Traveling Parties	265,455		
Ave. Party Size	2.9		
# of Overnight Visitors	769,818		769,818
Overnight Visitor Crossings	3/Party	796,364	
Seasonal Unit Visitors			
Units/Spaces	2,200		
Units/Spaces Occupied Daily	500		
Total "Room Nights"	182,500		
Average Length of Stay	7		
#of Traveling Parties	26,071		
Ave. Party Size	3.5		
# of Seasonal Visitors	91,250		91,250
Seasonal Visitor Crossings	8/Party	208,571	
Day Visitors			
Day Visitor Crossings	2/Party	3,431,565	4,289,456
Ave. Party Size	2.5		
TOTAL		<b>8,000,000</b>	<b>5,150,524</b>

Source: THK Associates, Inc.

The tables to follow show detailed visitation to the Island by monthly and 5 and 10-year projections and provide inventories of where these visitors are staying.

### **C. Seasonal Housing Profile of the Gulf Coast and South Padre Island**

The 2000 Census estimated that 3.6 million, or 3.1% of all residential dwelling units in the United States are seasonal, or second homes. It is estimated that there are currently 150,000 second-homes being built within the United States on an annual basis, a figure that has doubled over the last decade. Of this total, 3.1% were built along the Gulf Coast. The National Association of Realtors has estimated that nearly 400,000 vacation homes were purchased last year (among American households, as well as those whose primary residence is outside of the U.S.).

All data and future estimations indicate this is a trend that will continue to increase over the next ten years. The aging baby-boom population has been cited as a major driver behind the second-home market. Other factors contributing to the strong demand for second homes include all-time low household sizes, all-time high incomes, and historically low interest rates. A 1997 tax reform has also encouraged second home ownership by changing capital gains tax stipulations on appreciated values of second homes.

Seasonal and second-home development has had a dramatic impact on the housing market along the United States portion of the Gulf Coast from Florida to Texas. Five states border the Gulf Coast including Texas, Louisiana, Mississippi, Alabama and Florida. In total, 51 counties in these 5 states border the Gulf Coast, and in 1990 they included 3,397,869 housing units. Of which, 243,272, or 7.2%, were classified by the U.S. Department of Commerce, Bureau of the Census, as seasonable occupied units.

By 2000, the housing count in these 51 counties had grown to 3,958,201, with 290,126, or 7.3%, being seasonal units. During this ten-year period, the total housing count grew by 56,033 units per year and the seasonal housing count grew by 4,685 units per year, which represented a growth rate of 1.8%. In 1990, Cameron County had 88,759 housing units, of which 7,009, or 7.9%, were seasonal units. By 2000 Cameron County's housing unit count had grown to 119,654 units, of which 11,759, or 9.8%, were seasonal units. Seasonal housing units in Cameron County grew by 475 units per year during this 10-year period and this represented 10.1% of the increase of seasonal housing units along the entire Gulf Coast. In 1990, South Padre Island had 4,082 housing units, of which 3,269 were seasonal or rental condominium units, and by 2000 the housing unit inventory had increased to 4,685, of which, 3,385 were seasonal or rental condominium units. During this 10-year period, seasonal and rental condominium units increased by 12 units per year.

By January of 2005, the total housing unit count in the 51 gulf counties had grown to 4,364,174 and the seasonal housing count had grown to 323,733, which represented 7.4% of total housing units. Annually during this 5-year period, the seasonal housing count grew by 6,721 units per year, and for the 14-year period from 1990-2004, the seasonal housing count averaged an increase of 5,364 units per year, or a growth rate of 2.2% per year. In January of 2005, Cameron County had 14,105 seasonal units and added 470 per year, and 475 per year since 1990. This represented 8.8% of the units added along the Gulf Coast since 1990.

Currently in 2005, South Padre Island had 3,945 seasonal and rental condominium units and since 1990 it has averaged the addition of 68 units, which represents 14.3% of the seasonal

home additions to Cameron County since 1990 and 1.3% of the annual addition of seasonal homes along the Gulf Coast.

<b>Gulf Coast Annual Growth in Seasonal Housing Units</b>				
	<b>1990 to 2004</b>		<b>2000 to 2004</b>	
	<b>Annual Change</b>	<b>Percent Change</b>	<b>Annual Change</b>	<b>Percent Change</b>
Texas	693	2.7%	722	2.0%
Louisiana	186	0.0%	187	1.8%
Mississippi	-17	-0.3%	-2	-0.1%
Alabama	171	1.5%	135	0.9%
Florida	4,331	2.2%	5,703	2.2%
Total	5,364	2.2%	6,721	2.1%

Source: U.S. Department of Commerce; C-40 Reports and THK Associates, Inc.

Given the performance of the Gulf Coast regarding seasonal and second home development, it is estimated that seasonal units will grow by an annual growth rate of 2.4% over the next decade in these 51 counties and by 2015 there will be a total of 409,630. Annually, through the next decade, seasonal home construction will average 8,590 units and Cameron County should continue to capture approximately 10% of the 51 county total, or 860 seasonal units per year. South Padre Island should capture 15% of the Cameron County demand and annually should average the construction of 130 units.

TABLE IV-8: Seasonal Housing Units in Gulf Coast Counties, 1990-2000

County	1990			2000			2004		
	Total Housing Units	Seasonal Housing Units	Seasonal as a Percent of Total	Total Housing Units	Seasonal Housing Units	Seasonal as a Percent of Total	Total Housing Units	Seasonal Housing Units	Seasonal as a Percent of Total
<b>Texas</b>									
Cameron	88,759	7,009	7.9%	119,654	11,759	9.8%	133,681	14,170	10.6%
Willacy	6,072	194	3.2%	6,727	394	5.9%	7,105	492	6.9%
Kenedy	213	18	8.5%	281	103	36.7%	281	135	47.9%
Kleberg	12,008	169	1.4%	12,743	180	1.4%	12,777	181	1.4%
Nueces	114,326	2,413	2.1%	123,041	3,154	2.6%	129,426	3,552	2.7%
San Patricio	22,126	514	2.3%	24,864	508	2.0%	26,481	511	1.9%
Aransas	10,889	2,412	22.2%	12,848	2,461	19.2%	13,420	2,410	18.0%
Refugio	3,739	189	5.1%	3,669	187	5.1%	3,727	191	5.1%
Calhoun	9,559	1,606	16.8%	10,238	1,751	17.1%	10,707	1,844	17.2%
Matagorda	18,540	2,003	10.8%	18,611	2,407	12.9%	19,123	2,636	13.8%
Brazoria	74,504	2,007	2.7%	90,628	1,496	1.7%	103,672	1,279	1.2%
Galveston	99,451	6,990	7.0%	111,733	7,640	6.8%	120,243	8,130	6.8%
Chambers	8,061	434	5.4%	10,336	359	3.5%	11,922	323	2.7%
Jefferson	101,289	171	0.2%	102,080	512	0.5%	105,488	669	0.6%
<b>TX TOTAL</b>	<b>569,536</b>	<b>26,129</b>	<b>4.6%</b>	<b>647,453</b>	<b>32,911</b>	<b>5.1%</b>	<b>698,053</b>	<b>36,523</b>	<b>5.2%</b>
<b>Louisiana</b>									
Cameron	5,031	1,392	27.7%	5,336	1,331	24.9%	5,648	1,347	23.9%
Vermilion	20,361	708	3.5%	22,461	938	4.2%	23,399	1,043	4.5%
Iberia	25,472	242	1.0%	27,844	318	1.1%	28,652	349	1.2%
St. Mary	21,884	456	2.1%	21,650	410	1.9%	22,102	402	1.8%
Terrebonne	35,416	1,028	2.9%	39,928	1,424	3.6%	42,092	1,613	3.8%
Lafourche	31,332	234	0.7%	35,045	923	2.6%	36,532	1,238	3.4%
Jefferson	185,072	1,749	0.9%	187,907	1,936	1.0%	192,859	2,053	1.1%
Plaquemines	9,432	311	3.3%	10,481	542	5.2%	11,078	656	5.9%
St. Bernard	25,147	85	0.3%	26,790	366	1.4%	27,270	485	1.8%
St. Tammany	57,993	1,315	2.3%	75,398	1,191	1.6%	86,529	1,129	1.3%
<b>LA TOTAL</b>	<b>417,140</b>	<b>7,520</b>	<b>1.8%</b>	<b>452,840</b>	<b>9,379</b>	<b>2.1%</b>	<b>476,161</b>	<b>10,314</b>	<b>2.2%</b>
<b>Mississippi</b>									
Hancock	16,561	2,602	15.7%	21,072	2,373	11.3%	22,802	2,162	9.5%
Harrison	67,813	1,129	1.7%	79,636	1,673	2.1%	85,765	1,951	2.3%
Jackson	45,542	1,045	2.3%	51,678	613	1.2%	55,739	414	0.7%
<b>MS TOTAL</b>	<b>129,916</b>	<b>4,776</b>	<b>3.7%</b>	<b>152,386</b>	<b>4,659</b>	<b>3.1%</b>	<b>164,306</b>	<b>4,527</b>	<b>2.8%</b>
<b>Alabama</b>									
Mobile	151,220	1,083	0.7%	165,101	1,757	1.1%	173,243	2,085	1.2%
Baldwin	50,933	10,652	20.9%	74,285	11,862	16.0%	87,278	12,210	14.0%
<b>AL TOTAL</b>	<b>202,153</b>	<b>11,735</b>	<b>5.8%</b>	<b>239,386</b>	<b>13,619</b>	<b>5.7%</b>	<b>260,521</b>	<b>14,295</b>	<b>5.5%</b>
<b>Florida</b>									
Escambia	112,230	2,159	1.9%	124,647	3,074	2.5%	133,744	3,589	2.7%
Santa Rosa	32,831	349	1.1%	49,119	972	2.0%	55,853	1,310	2.3%
Okaloosa	62,569	3,345	5.3%	78,593	4,258	5.4%	86,428	4,707	5.4%
Walton	18,728	3,618	19.3%	29,083	7,681	26.4%	35,943	10,512	29.2%
Bay	65,999	6,528	9.9%	78,435	8,810	11.2%	88,404	10,404	11.8%
Gulf	6,339	1,190	18.8%	7,587	1,273	16.8%	8,336	1,332	16.0%
Franklin	5,891	1,308	22.2%	7,180	1,363	19.0%	7,963	1,409	17.7%
Wakulla	6,587	737	11.2%	9,820	513	5.2%	11,625	330	2.8%
Taylor	7,908	570	7.2%	9,646	1,324	13.7%	9,924	1,621	16.3%
Dixie	6,445	1,629	25.3%	7,362	1,375	18.7%	7,605	1,220	16.0%
Levy	12,307	1,135	9.2%	16,570	1,085	6.5%	17,281	947	5.5%
Citrus	49,854	5,302	10.6%	62,204	5,192	8.3%	69,101	5,135	7.4%
Hernando	50,018	3,925	7.8%	62,727	3,566	5.7%	73,292	3,533	4.8%
Pasco	148,965	14,058	9.4%	173,717	14,915	8.6%	200,639	16,543	8.2%
Hillsborough	367,740	6,188	1.7%	425,962	6,068	1.4%	480,337	6,347	1.3%
Pinellas	458,341	33,932	7.4%	481,573	34,111	7.1%	495,366	34,454	7.0%
Manatee	115,245	14,669	12.7%	138,128	16,845	12.2%	157,822	18,910	12.0%
Sarasota	157,055	19,683	12.5%	182,467	20,450	11.2%	206,126	22,009	10.7%
Charlotte	64,641	10,863	16.8%	79,758	10,512	13.2%	90,050	10,563	11.7%
Lee	189,051	31,408	16.6%	245,405	39,502	16.1%	303,580	48,239	15.9%
Collier	94,165	22,588	24.0%	144,536	34,337	23.8%	172,717	40,872	23.7%
Monroe	46,215	7,928	17.2%	51,617	12,332	23.9%	52,997	14,090	26.6%
<b>FL TOTAL</b>	<b>2,079,124</b>	<b>193,112</b>	<b>9.3%</b>	<b>2,466,136</b>	<b>229,558</b>	<b>9.3%</b>	<b>2,765,133</b>	<b>258,075</b>	<b>9.3%</b>
<b>GULF COAST COUNTY TOTAL</b>									
	<b>3,397,869</b>	<b>243,272</b>	<b>7.2%</b>	<b>3,958,201</b>	<b>290,126</b>	<b>7.3%</b>	<b>4,364,174</b>	<b>323,733</b>	<b>7.4%</b>

Source: U.S. Bureau of the Census, & THK Associates, Inc.

During the last decade, the seasonal housing market has undergone a substantial change and added many more patrons to the market by offering interval ownership of seasonal units in the form of timeshare units, fractional ownership units in the form of timeshare units, and fractional ownership units in private residence clubs. Traditional timeshare ownership product usually applies to hotel room product and is sold in increments of 1 or more weeks, at prices ranging from \$250 - \$500 per square foot, or \$25,000 - \$50,000 for a one week interval at a 1,000 sq. ft. unit.

Regarding fractional units, three tiers of Fractional Ownership have been identified:

The first tier is what is labeled as the ***Traditional Fractional Ownership Interest***. Summarizing, it consists, on average, from 1/6 to 1/4 ownership interests (that's around 8 weeks of usage per year to 13 weeks) at a cost of +/- \$100,000, located in any regional resort vacation area, and usually providing what might be called a 3 star hotel experience. With household income of purchasers of this tier at \$100k - \$200k per annum, there is a nationwide market depth of about 12.5 million families. While that may seem like a large marketplace, it is only a very small fraction of the huge timeshare market, making the Fractional product a more exclusive and different product and a significantly different buyer. Unlike the timeshare buyer, who is essentially pre-paying a one or two week yearly vacation, the Fractional buyer is seeking a second vacation home lifestyle.

The ***High-End Fractional Ownership Interest***, on average, offers owners anywhere from a 1/6th interest to a 1/17th interest (that's 8 weeks to about 3 weeks per year). Ownership will cost +/- \$150,000, appealing to discriminating purchasers with incomes from \$200k - \$350k per year. These alternative second home opportunities are usually found in upscale, ski, golf, beach, spa and urban regional or destination locations and provide a 4 star experience. The marketplace for this product diminishes significantly to about 2 million households.

At the upper echelon of second home Fractional Ownership is the category called the ***Private Residence Club***. Locations are similar to the ***High-End*** category, but offering more remote exclusivity. They include ski, ocean front, signature golf, central city, and destination spa locations. They, not unexpectedly, offer a 5 star experience with services in the extreme, that carry a premium price tag of +/- \$200,000 and up, for a 1/8th to 1/12th interest (4 to 6 weeks of usage). This represents a market segment of 1 %, with income-eligibility of \$500,000 and up. 450,000 households in America are at this income level.

It is estimated that with only 20,000 purchasers in the top two tiers, if we assume a "conservative 5% penetration, it means that the remaining affected market demand for either ***High-End*** or ***Private Residence Club*** products over the next 10 years could be over 100,000 purchases and a sales volume of over \$20 billion."

Worldwide sales of Fractionals in all three tiers has reached \$513 million with 85% of the known 151 projects being in the United States. The remaining 15% of the projects are located in Canada, (highest at 8%) ,with the Caribbean and Mexico and a few, in the "other" category, following. 58% of the 151 projects are either sold out or inactive, in regard to sales, with 65 resorts involved in pre-sales or sales. 85 Fractional projects fall in the ***Traditional Fractional Interest*** category, 33 in the ***High-End Fractional Interest*** category and 33 in the ***Private Residence Club*** designation. The highest growth rate in recent years has been in the two top

tiers, **High-End Fractionals** and **Private Residence Clubs**, with only 6 in 1996 to 66 in 2003. An additional noteworthy piece of data is that in terms of sales volume, **Private Residence Clubs** boast the highest, with 83% of all Fractional sales in 2003. Is this due to consumer popularity or does it reflect the higher average price per sale? Perhaps both. Sales of all Fractional products in 2003 grew 38% over the previous year.

87% of the purchases are conveyed by a deed, as an interest in real estate. 5% are in a sub-category identified as a "Non Equity Membership Club", with 8% by leasehold or other type of conveyance. Essentially the membership club provides a collection of vacation properties that are available to members after a one time or annual membership fee and ongoing usage fees for accessing what are usually very high quality exclusives properties. The club maintains a specific club member to club property ratio. While a small part of the Fractional segment, in 2003, it accounted for 27% of the total Fractional revenue.

Research reveals that 96% of **High-End** and **Private Residence Club** owners and 89% of **Traditional Fractional** owners report that they are satisfied with their purchase. That makes the Fractional product one of the highest rated purchases in America in regard to customer satisfaction.

An impressive 73% - 86% of **Traditional Fractional Interest** buyers said that their satisfaction related to "certainty of quality accommodations, location and exchange opportunities with other resorts".

A whopping 88% - 96% of **Private Residence Club** buyers cited their top three reasons for buying as "certainty of quality accommodations, location, and quality when compared to other options of similar price".

Since owners in the **Traditional Fractional Interest** category tend to have use of longer periods of time (8 -13 weeks), they tend to want to find ways to use their time, thus they favor exchanging. **Private Residence Club** buyers elect significantly smaller fractional interests (4 - 6 weeks), thus exchanging is less important but the cost comparison in relationship to the leisure lifestyle experience of a **Private Residence Club** is very important.

There are currently thirty-two timeshare resorts in the State of Texas, almost all of which are located on the southern Gulf Coast. The following table is an inventory of all interval ownership resorts in the State of Texas, including location, the number of interval units, cost of ownership per week, and resort amenities.

The most expensive among all these interval ownership properties is Silverleaf's Seaside Resort located on the Gulf Coast in Galveston. Ownership at this resort costs \$23,500 per weekly increment. The least expensive intervals are offered by the Sunchase Beachfront Condominiums (South Padre Island) where a single week of ownership can be had for as little as \$1,600. The average price of ownership per week for all thirty-two resorts in the state of Texas is \$8,435.

**Table IV-9: Inventory of Interval Ownership Projects in Texas**

<b>Name</b>	<b>Location</b>	<b>Number of Units</b>	<b>Unit Price Per Week</b>	<b>Amenities</b>
<b>Northern Texas (Dallas)</b>				
1 Tanglewood Resort 903-786-2968	Pottsboro (Lake Texoma)	62	\$10,995	120 Hotel rooms, 62 time share units in four buildings,
2 The Lodge 940-575-2252	Runaway Bay	NA	\$3,900	Lake Bridgeport, Marina, Boat Slips, Fishing
3 Westwind Manor	Runaway Bay	NA	\$13,000	Lake Bridgeport, Fishing
4 The Ridge at Lake Granbury	Granbury	40	\$7,000	Lake, Beach, Boating, Fishing, Playground, Pool, Tennis,
<b>Eastern Texas</b>				
5 First Fairway at Walden 936-582-4477	Montgomery	53		18-hole Golf Course
7 Villas on the Lake 936-588-2727	Montgomery (Lake Conroe)	37	\$12,000	Swimming Pool, Lake Access, Fishing, Tennis
8 Inverness at Walden - Phase II	Montgomery	44	\$2,300	Lake Conroe Access, Golf, Tennis, Swimming, Boating
9 Inverness at Del Lago 936-582-4442	Montgomery	WND		2BD Townhomes, Lake Conroe Access, Swimming Pool, HC
10 Silverleaf's Piney Shores Resort	Conroe (Montgomery)	NA	\$9,900	Lake Conroe, Fishing, Boating, Water Skiing
11 Silverleaf's Villages	Flint	331		Lake Palestine Access
12 Silverleaf's Lake O' The Woods	Flint	WND	\$20,000	Lake Palestine Access
13 Silverleaf's Holly Lake Ranch	Big Sandy	NA		18-Hole Golf Course, Tennis, Piney Woods
<b>Central Texas (San Antonio - Austin)</b>				
14 Silverleaf's Hill Country Resort	Canyon Lake	WND	\$8,000	Hill Country, Recreational Community
15 Perennial Vacation Club at Bandera	Bandera	33	\$6,000	Vacation Club (Private Residence Club w/ Apts) Texas Hill Cour
16 The Shores at Lake Travis	Lago Vista	46		5,000 Acres of Scenic Wilderness, Lake Travis
17 Equivest Riverside Suites	San Antonio	46	\$10,000	Riverwalk District, River, Downtown San Antonio
18 Hearthside Suites 512-407-9138	Austin			
<b>Gulf Coast</b>				
19 Leisure Club International at Padre Island	Corpus Christi	23		Padre Island, Nice Beaches, Water Sports 78 total units
20 Fairway Villas 361-949-7021	Corpus Christi	NA		Padre Island, Nice Beaches, Water,
21 Sundial at Mustang Towers 361-749-6212	Port Aransas	15	\$8,000	Beach, Fishing, Swimming Pool, Tennis (56 units, 15 ts, 15 apts
22 Silverleaf's Seaside Resort 409-737-3399	Galveston	84	\$23,500	Gulf of Mexico, Beach, Swimming Pool
23 Inverness by the Sea 800-460-6378	Galveston	51	\$3,999	Gulf of Mexico, Beach, Swimming Pool, Tennis, Fitness
24 Four Seasons on the Gulf	Galveston	20	\$8,000	Five-Star Amenities, Swimming Pool, Beach, Water Sports
25 Mustang Island Beach Club 361-749-5446	Mustang Island (Aransas)	16	\$4,500	(32 units, 16 TS & 16 rental) Beach, Fishing, Swimming Pool

<b>South Padre Island</b>					
26 Fort Brown Condominiums 401 Ringold Road 956-541-4851	Brownsville	48	\$4,000	Swimming Pool, Historic Setting,	
27 Inverness at South Padre 5600 Gulf Boulevard	South Padre Island	66	\$12,000	Beachfront Resort, Water Sports, Pool	
28 Galleon Bay Club 4901 Laguna Boulevard 956-761-7919	South Padre Island	40	\$2,525	Bay Access, Fishing Access, Swimming Pool	
29 Royale Beach & Tennis Club 400 Padre Boulevard	South Padre Island	75	\$5,100	Beachfront Resort, Swimming Pool, Tennis, Bar & Grill	
30 Sweetwater at South Padre (Sunchase) 1010 Padre Boulevard	South Padre Island	48		Swimming Pool, Tennis, Health Club,	
31 Sunchase Beachfront Condominiums 1010 Padre Boulevard	South Padre Island	120	\$1,600	Swimming Pool, Tennis	
33 Seascape Resort Condominiums 117 East Verna Jean Street	South Padre Island	30		Swimming Pool	

<b>South Padre Total</b>	<b>379</b>	
<b>South Padre Average</b>	<b>63.2</b>	<b>\$5,306</b>

<b>TEXAS TOTALUNITS*</b>	<b>1,328</b>	
<b>TEXAS AVERAGE**</b>	<b>60</b>	<b>\$8,435</b>

\*Total number of timeshares derived from know units and average units applied to unknown timeshare resorts

Source: THK Associates, Inc.

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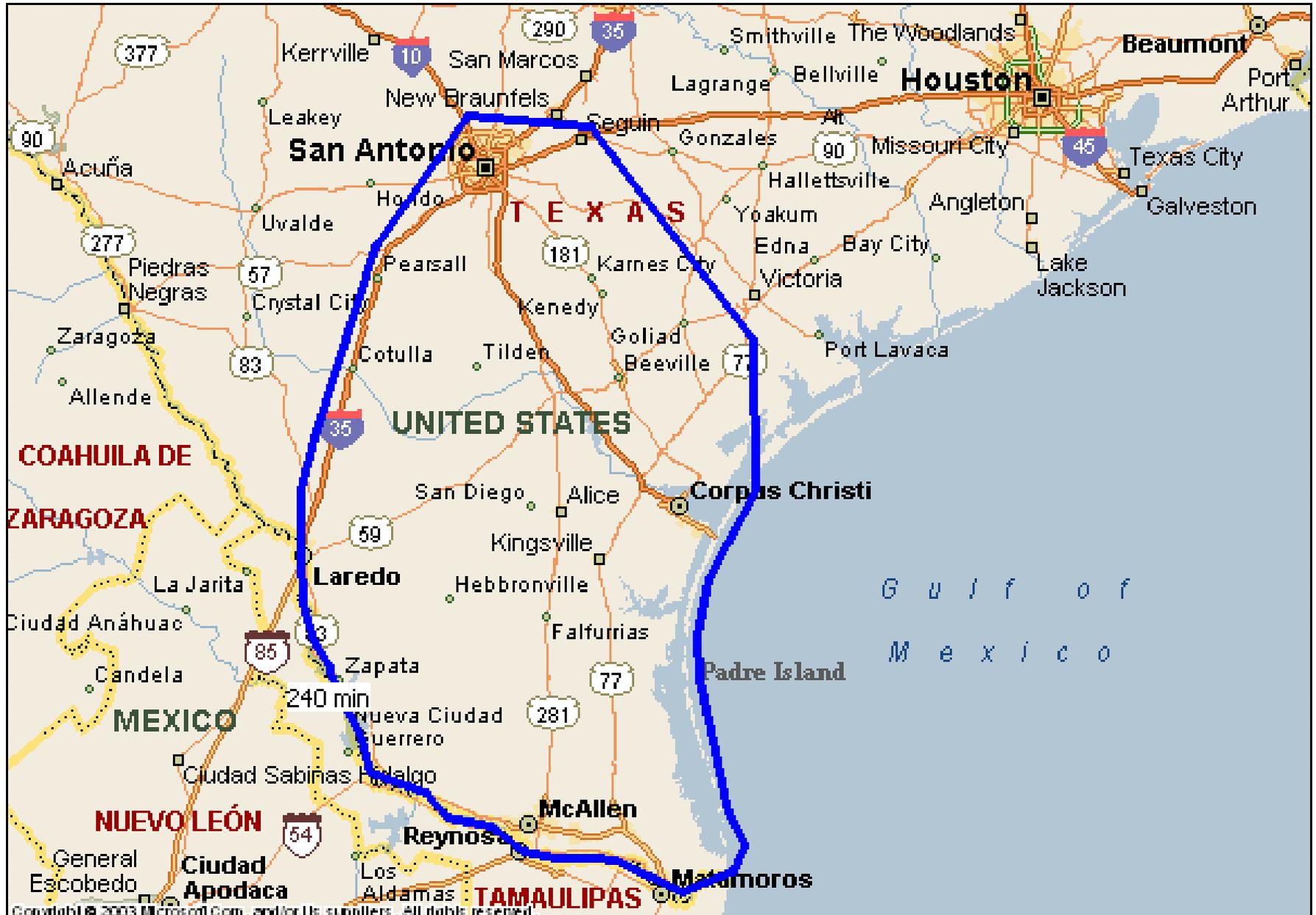
Based on geographic location, drive times, and historic South Padre Island visitation trends, THK has determined a primary catchment area (PCA) from which the majority of demand for South Padre Island's interval ownership component will be derived. It has been determined that the majority of interval ownership demand comes from households living within a four-hour drive radius. The South Padre Island PCA is limited to Southern Texas and reaches as far north as San Antonio. Based on statistics from the U.S. Bureau of the Census, the following table details the year 2004 income distribution for the Primary Catchment Area. Within the Catchment Area there were 25,087 households earning in excess of \$200,000 in 2004.

**Table IV-10: Income Distribution for South Padre Island Catchment Area, 2004**

<b>Income</b>	<b>Households</b>	<b>Percent of Total</b>
Less than \$15,000	228,395	20.4%
\$15,000 to \$24,999	159,558	14.3%
\$25,000 to \$34,999	156,178	14.0%
\$35,000 to \$49,999	176,109	15.7%
<b>\$50,000 to \$74,999</b>	<b>190,054</b>	<b>17.0%</b>
<b>\$75,000 to \$99,999</b>	<b>98,133</b>	<b>8.8%</b>
<b>\$100,000 to \$149,999</b>	<b>72,154</b>	<b>6.4%</b>
<b>\$150,000 to \$200,000</b>	<b>13,464</b>	<b>1.2%</b>
<b>\$200,000 or more</b>	<b>25,087</b>	<b>2.2%</b>
<b>Total Households</b>	<b>1,119,132</b>	
<b>Total Households \$50,000+</b>	<b>398,892</b>	
<b>% of Households \$50,000+</b>	<b>35.6%</b>	

Source: U.S. Bureau of the Census and THK Associates, Inc.

### SOUTH PADRE ISLAND TIMESHARE CATCHMENT AREA



Based on the U.S. Bureau of the Census numbers from the 2004 income distribution, THK has projected the income distributions for 2005 and ten years into the future. This provides a reasonable gauge of present and future demand for second home and interval ownership units in the South Padre Island primary catchment area.

THK has identified two principle income groups that drive the majority of demand for the second (vacation) home markets which include seasonal housing, attached housing units, detached single family homes, condominiums and fractional (time share) interest of all of the above. While the analysis of many types of vacation home ownership (single family homes and luxury fractional ownership) would be restricted to high income households, the nature of South Padre Island interval ownership units will attract a more inclusive demographic. For the purpose of this study THK has looked at households with annual incomes between \$50,000 and \$199,999, and those with incomes in excess of \$200,000. THK has chosen to examine these two groups because households with income less than \$50,000 are rarely in the second home market. THK made the distinction between these two groups because they have different participation rates in both vacation home ownership and in interval ownership. It should be noted that seasonal home participation within the catchment area is projected to grow from 29,679 units currently, to 39,885 by 2014. This represents an annual increase of 1,020 units per year.

The following table details the number of households living in the catchment area within the two income groups and projects them over the next decade. Households earning less than \$200,000 have a 7% participation rate for second home ownership, while households earning \$200,000 or more are twice as likely to own a second home and have a participation rate of 14%. Of the lower-income (\$50K - \$200K) households that actually own second homes, 14% are in the form of fractional interests. Of the households earning in excess of \$200,000 that own second homes, 9% are fractional interests. In the year 2000, there were an estimated 3,268 households within the South Padre Island catchment area participating in fractional ownership. The number of household participating in fractional ownership of vacation units has increased to an estimated 3,979 in 2004, and is expected to grow to 4,866 by 2009 and 5,304 by 2014.

**Table IV-11: Second Home & Timeshare Participation in South Padre Island Catchment Area**

		Seasonal Home Participation Rate	Seasonal Home Participation	Fractional/ Timeshare Participation Rate	Fractional/ Timeshare Participation
<b>2000</b>					
Household Income	Households				
\$50,000 to \$199,999	311,703	7%	21,819	14%	3,055
\$200,000 or more	16,903	14%	2,366	9%	213
		<b>Total</b>	<b>24,186</b>		<b>3,268</b>
<b>2004</b>					
\$50,000 to \$199,999	373,805	7%	26,166	14%	3,663
\$200,000 or more	25,087	14%	3,512	9%	316
		<b>Total</b>	<b>29,679</b>		<b>3,979</b>
<b>2009</b>					
\$50,000 to \$199,999	449,422	7%	31,460	14%	4,404
\$200,000 or more	36,660	14%	5,132	9%	462
		<b>Total</b>	<b>36,592</b>		<b>4,866</b>
<b>2014</b>					
\$50,000 to \$199,999	489,870	7%	34,291	14%	4,801
\$200,000 or more	39,959	14%	5,594	9%	503
		<b>Total</b>	<b>39,885</b>		<b>5,304</b>

Source: Urban Land Institute & THK Associates, Inc.

Based on estimated participation exhibited in the previous table, THK is able to extend our calculations and further estimate the number of households likely to purchase fractional interests within the state of Texas versus other possible destinations (such as Mexico or the Rocky Mountain Region). Table IV-12 estimates Texas capture rates and household capture from the pool of potential participants.

THK has made an important distinction between the two income groups on this point as well. The households with higher incomes have more disposable income and will be more likely to travel greater distances to spend their leisure time. THK has estimated that 40% of all seasonal second home participants within the lower income demographic will choose somewhere in Texas as their vacation destination, while 20% of the higher income demographic will remain in-state for their vacation time. This translates to 1,528 households within the catchment area that owned timeshares within the state of Texas in 2004. This figure is expected to increase to 1,854 households by 2009, and 2,021 households by 2014.

**Table IV-12: Texas Timeshare / Fractional Intervals Capture within Catchment Area**

Household Income	Seasonal Home Participation	Potential Timeshare / Fractional Intervals 2004		
		Households	TX Capture Rate	TX Intervals
Household Income < \$200K	26,166	3,663	40%	1,465
Household Income > \$200K	2,512	316	20%	63
	29,679	<b>TOTAL</b>		<b>1,528</b>
		Potential Timeshare / Fractional Intervals 2009		
		Households	TX Capture Rate	TX Intervals
Household Income < \$200K	31,460	4,404	40%	1,762
Household Income > \$200K	5,132	462	20%	92
	36,592	<b>TOTAL</b>		<b>1,854</b>
		Potential Timeshare / Fractional Intervals 2014		
		Households	TX Capture Rate	TX Intervals
Household Income < \$200K	34,291	4,801	40%	1,920
Household Income > \$200K	5,594	503	20%	101
	<b>39,885</b>	<b>TOTAL</b>		<b>2,021</b>

Source: U.S. Bureau of the Census & THK Associates, Inc.

Table IV-12 demonstrates that seasonal home participation in the catchment area is projected to grow from 29,679 units currently, to 39,885 in 2014, or at a rate of 1,020 units per year. It is estimated that South Padre Island will capture approximately 10% - 15% of this market, or approximately 130 units per year over the next decade. Regarding fractional interests, THK has calculated the number of fractional ownership households that are likely to remain in Texas, THK can estimate the percentage of South Padre Island's capture from the total Texas capture. Previous research has indicated that most timeshare households own units within a 4-hour drive of their primary residence. This means that many of the households within the catchment area will be unwilling to drive to North Texas. For this reason, THK has conservatively estimated and applied a 15% capture rate to the catchment area households who will choose South Padre Island among all Texas interval ownership options. This 15% capture rate translates to a demand for 240 increments of timeshare ownership this year, 280 increments of ownership by 2009, and 310 interests of ownership by the year 2014. Depending on the size of each increment (usually owners buy between 1/7 to 1/12 share of ownership) this demand can support 30 condominium units per year.

**Table IV-13: South Padre Island Timeshare / Fractional Interval Capture**

Year	Number	Capture Rate	South Padre Island Interval Capture
2004	1,528	15.0%	230
2005	1,593	15.0%	240
2009	1,854	15.0%	280
2014	2,021	15.0%	310

Source: U.S. Bureau of the Census & THK Associates, Inc.

## D. Mexican National Buyer Potentials

An important source of demand for visitation and real estate demand is the millions of Mexican citizens just a few hours away across the border in Monterey and the states of Nueva Leon and Tamaulipas, as well as throughout all of Mexico. Along with the dramatic increase in the flow of goods and services across the border, with the Free Trade Agreement, cross-border tourism is on the rise and many Mexican Nationals are drawn to the beaches of South Padre Island.

Along with vacation stays, many of the Mexicans are looking for second-home ownership opportunities. THK, in the following table, has made estimates of the levels of this demand. There are currently 7.5 million people residing in 2.0 million households in the two neighboring Mexican states. Implementing several variables regarding incomes and second home participation, and giving South Padre Island a 10% share of this market, THK estimates a current demand or usage of 204 vacation housing units by Mexican Nationals. This figure is projected to grow to 244 by 2015.

**Potential Mexican National Second Home Buyers**

State	Estimated 2005 Population	Estimated 2005 Households	Households w/ \$100,000+ Income	Estimated Second Home Households	Estimated SPI Capture	Secondary Capture	Total SPI Capture
Nuevo Leon	4,337,979	1,172,427	11,724	879	88	31	119
Tamaulipas	3,115,018	841,897	8,419	631	63	22	85
2005 TOTAL	7,452,997	2,014,323	20,143	1,511	151	53	204
2006	7,587,151	2,050,581	20,506	1,538	154	54	208
2007	7,723,719	2,087,492	20,875	1,566	157	55	211
2008	7,862,746	2,125,067	21,251	1,594	159	56	215
2009	8,004,276	2,163,318	21,633	1,622	162	57	219
2010	8,148,353	2,202,257	22,023	1,652	165	58	223
2011	8,295,023	2,241,898	22,419	1,681	168	59	227
2012	8,444,333	2,282,252	22,823	1,712	171	60	231
2013	8,596,331	2,323,333	23,233	1,742	174	61	235
2014	8,751,065	2,365,153	23,652	1,774	177	62	239
2015	8,908,584	2,407,726	24,077	1,806	181	63	244

1/Key assumptions are: 1.8% growth, 1% of households at \$100,000+, 7% second home owners, 10% SPI capture and 30% secondary support

Source: THK Associates, Inc.

## **E. Housing Profile of South Padre Island**

### *1. Growth Trends*

South Padre Island has experienced 3.6% annual growth in its population, adding 78 new residents annually since 1990. Household growth has continued throughout this time period at a 3.9% growth rate or 42 new households annually. The number of seasonal units has actually decreased from 2,418 in 1990 to 2,181 in 2005, an annual average decrease of 16 units. In the coming decade, seasonal units are expected to grow at a rate of 1.3% annually to 2,490 by 2015.

The permanent population is projected to grow by 116 people, and 65 households annually through 2015, totaling 4,010 people in 2,100 households.

A significant factor in the housing market on South Padre Island is the growth and construction of the rental condominium market. This is a fluid and difficult market to pinpoint, with units often changing purpose and/or designation between permanent home, seasonal home or rental. For this reason, the number of seasonal units on the Island has fallen since 1990, with owners putting their unit into the rental pool. Thus, the demand for new construction and vacancy information is not easy to determine. However, there has been a recent surge in interest and development of condominium properties, particularly for 2-bedroom units. Based on projects planned or underway, and overall interest in beachfront condos throughout the Gulf Coast, THK is projecting 98 new rental condominium units annually through 2015, as well as 31 new seasonal units annually. In total, vacation ownership properties will total over 66% of the total housing stock on SPI by 2015.

Table IV-16 and IV-17 show visitation from seasonal units monthly and through 2015. Annual occupancy for these 2,181 units is currently 24% and varies greatly between months. With an estimated 2.6 visitor per unit there are 1,351 daily visitors staying in seasonal units in 2005. This total is projected to rise to 1,558 by 2015.

**Table IV-14: Population and Household Trends in Cameron County and South Padre Island , 1980-2005**

	1980	1990	2000	2005	1980-2005		1990-2005	
					Numerical	Percent	Numerical	Percent
<b>Cameron County</b>								
Population	209,727	260,120	335,227	387,684	7,118	2.5%	8,504	2.7%
Households	58,418	73,278	97,267	114,361	2,238	2.7%	2,739	3.0%
Housing Units	65,970	88,759	119,654	140,156	2,967	3.1%	3,426	3.1%
Seasonal Units	2,567	7,009	11,759	14,105	460	7.0%	473	4.8%
Rental Condominium Units	1,847	4,129	5,150	5,647	152	4.6%	101	2.1%
<b>South Padre Island</b>								
Population		1,677	2,422	2,849			78	3.6%
Households		813	1,211	1,446			42	3.9%
Housing Units		4,082	4,685	5,434			90	1.9%
Seasonal Units		2,418	2,068	2,181			-16	-0.7%
Rental Condominium Units		851	1,317	1,764			61	5.0%

South Padre Island  
as a percent of  
Cameron County

Population	0.6%	0.7%	0.7%	0.0% --	0.9% --
Households	1.1%	1.2%	1.3%	0.0% --	1.5% --
Housing Units	4.6%	3.9%	3.9%	0.0% --	2.6% --
Seasonal Units	34.5%	17.6%	15.5%	0.0% --	-3.3% --
Rental Condominium Units	20.6%	25.6%	31.2%	0.0% --	60.1% --

Source: U.S. Bureau of the Census and THK Associates, Inc.

**TABLE IV-15: Projected Population and Household Trends in Cameron County and the South Padre Island Primary Trade Areas, 2005-2015**

	2005	2010	2015	Annual Average			
				2005-2010		2005-2015	
				Numerical	Percent	Numerical	Percent
<b>Cameron County</b>							
Population	387,684	433,940	487,620	9,251	2.3%	9,994	2.3%
Households	114,361	129,430	147,040	3,014	2.5%	3,268	2.5%
Housing Units	140,156	159,349	181,170	3,839	2.6%	4,101	2.6%
Seasonal Units	14,105	16,431	19,141	465	3.1%	504	3.1%
Rental Condominium Units	5,647	6,230	6,880	117	2.0%	123	2.0%
<b>South Padre Island</b>							
Population	2,849	3,303	4,010	106	3.5%	116	3.5%
Households	1,446	1,740	2,100	59	3.8%	65	3.8%
Housing Units	5,434	6,360	7,440	185	3.2%	201	3.2%
Seasonal Units	2,181	2,330	2,490	30	1.3%	31	1.3%
Rental Condominium Units	1,764	2,200	2,740	87	4.5%	98	4.5%
<b>South Padre Island as a percent of Cameron County</b>							
Population	0.7%	0.8%	0.8%	1.1% --	1.2% --		
Households	1.3%	1.3%	1.4%	2.0% --	2.0% --		
Housing Units	3.9%	4.0%	4.1%	4.8% --	4.9% --		
Seasonal Units	15.5%	14.2%	13.0%	6.4% --	6.1% --		
Rental Condominium Units	31.2%	35.3%	39.8%	74.8% --	79.2% --		

Source: U.S. Bureau of the Census and THK Associates, Inc.

**TABLE IV-16: SEASONAL RESIDENTS ON SOUTH PADRE ISLAND, 2005**

AVERAGE DAILY SEASONAL	SEASONAL UNITS OCCUPIED												
	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
TOTAL UNITS	2,181												
OCCUPANCY	24%	15%	19%	29%	23%	29%	37%	41%	32%	24%	13%	12%	12%
OCCUPIED UNITS	520	327	414	632	502	632	807	894	698	523	284	262	262
VISITORS	1,351	851	1,077	1,644	1,304	1,644	2,098	2,325	1,815	1,361	737	680	680
PERCENT	100.0%	5.2%	6.6%	10.1%	8.0%	10.1%	12.9%	14.3%	11.2%	8.4%	4.5%	4.2%	4.2%

1\ Assumes 2.6 visitors per unit

Source: THK Associates, Inc

**TABLE IV-17: PROJECTED SEASONAL RESIDENTS ON SOUTH PADRE ISLAND, 2005-2015**

Year	PROJECTED SEASONAL VISITORS												
	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	1,351	851	1,077	1,644	1,304	1,644	2,098	2,325	1,815	1,361	737	680	680
2010	1,451	913	1,157	1,766	1,400	1,766	2,253	2,496	1,948	1,461	791	731	731
2015	1,558	981	1,242	1,896	1,504	1,896	2,419	2,681	2,092	1,569	850	785	785

1\ Assumes 2.6 visitors per unit

Source: THK Associates, Inc

## 2. Lodging Visitors

Because South Padre Island is such a unique and increasingly popular tourist destination, it boasts a wealth of lodging accommodations. Visitors can choose between hotel/motels, condominiums, campgrounds, and resorts. More importantly, the fact that the bulk of the area's visitors are vacationers, rather than transient business travelers passing through on their way to a final destination, greatly increases the likelihood of their participating in some sort of recreational activity.

Currently, the Island includes approximately 4,300 lodging units, including hotels, motels, resorts, and condo rentals. Occupancy rates for the Island's lodging units averaged 48% in 2004. An inventory of lodging accommodations, including hotels and motels and condominium/townhome units, is shown in the following tables. THK identified 34 hotels and motels and bed and breakfasts with a total of 2,551 available units and an additional 73 condominiums with 3,152 units, of which approximately 1,620 are in the rental pool. Tables IV-19 and IV-20 give monthly breakdowns of the projected lodging visitors to the Island. As with seasonal visitors, the peak season months of June through August will continue to attract the most lodging visitors. In 2005, the month of July will average 8,146 lodging visitors daily, and by 2015 June, July, and August will average nearly 10,510 lodging visitors daily. The area's 2005 daily average of 5,403 lodging visitors is expected to jump to 6,351 by 2010 and 7,476 by 2015.

**TABLE IV-18: SPI Lodging Occupancy by Month**

<b>Month</b>	<b>Hotel/Motel</b>	<b>Condominium</b>	<b>Average</b>
January	34%	51%	41%
February	45%	62%	52%
March	56%	56%	56%
April	66%	54%	61%
May	56%	46%	52%
June	73%	55%	66%
July	77%	68%	73%
August	70%	60%	66%
September	53%	44%	49%
October	20%	15%	18%
November	19%	12%	16%
December	24%	20%	22%
<b>Average</b>	<b>49%</b>	<b>45%</b>	<b>48%</b>

Source: Texas Department of Tourism, Randall Travel Marketing, & THK Associates, Inc

**TABLE IV-19: RENTAL LODGING VISITORS ON SOUTH PADRE ISLAND, 2005**

		LODGING VISITORS											
AVERAGE DAILY LODGING ROOMS	<u>AVERAGE</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
TOTAL UNITS	4,292												
OCCUPANCY	48%	41%	52%	56%	61%	52%	66%	73%	66%	49%	18%	16%	22%
OCCUPIED UNITS	2,078	1,760	2,232	2,404	2,618	2,232	2,833	3,133	2,833	2,103	944	730	1,116
VISITORS	5,403	4,575	5,803	6,249	6,807	5,803	7,365	8,146	7,365	5,468	2,455	1,897	2,901
PERCENT	100.0%	7.1%	9.0%	9.6%	10.5%	9.0%	11.4%	12.6%	11.4%	8.4%	3.8%	2.9%	4.5%

1\ Assumes 2.6 visitors per unit

Source: THK Associates, Inc

**TABLE IV-20: PROJECTED RENTAL LODGING VISITORS ON SOUTH PADRE ISLAND, 2005-2015**

		PROJECTED LODGING VISITORS											
<u>Year</u>	<u>AVERAGE</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
2005	5,403	4,575	5,803	6,249	6,807	5,803	7,365	8,146	7,365	5,468	2,455	1,897	2,901
2010	6,351	5,378	6,821	7,346	8,002	6,821	8,657	9,576	8,657	6,428	2,886	2,230	3,411
2015	7,476	6,331	8,030	8,647	9,419	8,030	10,191	11,272	10,191	7,566	3,397	2,625	4,015

1\ Assumes 2.6 visitors per unit

Source: THK Associates, Inc

**Table IV-21: South Padre Island Hotels**

<b>Hotel Name</b>	<b>Address</b>	<b>Phone</b>	<b>Rooms</b>	<b>Low Rates</b>	<b>High Rates</b>	<b>YOC</b>	<b>Amenities</b>
1 Bahia Mar Resort	6300 Padre Blvd.	956-761-1343	201	\$90	\$270	1973	swimming pool, restaurant, tennis, fitness, HC
2 Capri Motel I, II	5104 Gulf Blvd.		44			1965	
3 Comfort Suites	912 Padre Blvd.	956-772-9020	74	\$79	\$199	2001	swimming pool, meeting facilities, HC
4 Holiday Inn Sunspree Resort	100 Padre Blvd.	956-761-5401	228	\$79	\$189	1973	swimming pool, restaurant, tennis, fitness, HC
5 La Copa Inn/Suites Beach Resort	360 Padre Blvd.	956-761-6000	147			2003	swimming pool, fitness, meeting facilities, pets, HC
6 La Quinta Inn/Suites Beach Resort	7200 Padre Blvd.	956-772-7000	147	\$59	\$259	2003	fitness room, pets, HC
7 Island Inn (On the Beach)	510 Gulf Blvd.	956-761-7677	24	\$69	\$149		swimming pool, restaurant, pets, HC
8 Miramar Resort Motel	1200 Padre Blvd.		146			1965	swimming pool, restaurant, pets, HC
9 Padre South Resort	1500 Gulf Blvd.	956-761-4951	90	\$125	\$199	1973	swimming pool, HC
10 Radisson Resort	500 Padre Blvd.	956-761-6511	123	\$95	\$360	1975	swimming pool, tennis, restaurant, meeting, HC
11 Sheraton South Padre Beach Hotel	310 Padre Blvd.	800-222-4010	201	\$79	\$360	1986	swimming pool, tennis, restaurant, meeting, fitness, H
12 Surf Motel	2612 Gulf Blvd.	956-761-2831	17	\$79	\$109	1973	swimming pool, restaurant, pets, HC
13 Tiki Hotel	6608 Padre Blvd.	956-761-2694	130	\$86	\$318	1977	swimming pool, pets
14 Budget Host Flamingo Motel	3408 Padre Blvd.	956-761-3377	30	\$59	\$179	2001	swimming pool, HC
15 Best Western Fiesta Isles	5701 Padre Blvd.	956-761-4913	61	\$99	\$199	1985	swimming pool, fishing, pets, HC
16 Casa Bella Resort	5601 Padre Blvd.	956-761-7700	45	\$46	\$90	2005	swimming pool, meeting facility, pets, HC
17 Days Inn South Padre Island	3913 Padre Blvd.	956-761-7831	58	\$49	\$250	1993	swimming pool, pets, HC
18 Econo Lodge	3813 Padre Blvd.	956-761-8500	60			2000	swimming pool, pets, HC
19 Howard Johnson	1709 Padre Blvd.	956-761-5658	91	\$39	\$229	2001	swimming pool, pets, HC
20 Laguna Motel	201 West Swordfish		10			1967	
21 Beachside Inn & Suites	4500 Padre Blvd.	956-761-3924	65				swimming pool, HC
22 Motel 6	4013 Padre Blvd.	956-761-7911	52			1984	swimming pool, pets, HC
23 Ramada Limited	4109 Padre Blvd.	956-761-4097	49	\$65	\$220	1998	swimming pool, pets, HC
24 South Beach Inn	120 East Jupiter Lane	956-761-2471	12	\$36	\$119		swimming pool, pets
25 Super 8	4205 Padre Blvd.	956-761-6300	66	\$40	\$190	1999	swimming pool, HC
26 Travel Lodge	6200 Padre Blvd.	956-761-4744	149	\$49	\$300	2001	swimming pool, pets, HC
27 Fisherman's Wharf	211 West Swordfish	956-761-7818	8	\$69	\$150		boat ramp, fishing access
28 Quality Inn Hotel	901 Padre Blvd.	956-761-4884	49	\$65	\$125	2002	swimming pool, HC
29 South Padre Motel	204 West Gardenia	956-761-6701	16				swimming pool, HC
30 Holiday Inn Express	6502 Padre Blvd.	956-761-8844	106			2005	swimming pool, tennis, fitness, pets, HC
31 The Upper Deck	120 East Atol	956-761-5953	29	\$20	\$150	1983	swimming pool, pets, HC
32 Casa de Siesta	4610 Padre Blvd.	956-761-5656	12				bed & breakfast, swimming pool
33 USS Moonraker	107 E. Marisol	956-761-2206	3				bed & breakfast, jacuzzi
34 Brown Pelican Inn	207 W. Aries	956-761-2722	8				bed & breakfast, fishing
<b>TOTAL</b>			<b>2,551</b>				
<b>AVERAGE</b>			<b>75</b>	<b>\$67</b>	<b>\$210</b>	<b>1988</b>	

Source: *The Guide to South Padre Island, South Padre Convention & Visitors Bureau & THK Associates, Inc.*

**Table IV-22: South Padre Rental Condominium Facilities**

<b>Condominium Complex Name</b>	<b>Address</b>	<b>Phone</b>	<b>Units</b>	<b>Amenities</b>
1 Radisson Resort Condominiums	500 Padre Blvd.	956-761-6511	65	swimming pool, restaurant, tennis, meeting
2 Aquarius	2000 Gulf Blvd.		70	swimming pool, fitness center
3 Bahia Mar Resort & Conference Center	6300 Padre Blvd.	956-761-1343	32	swimming pool, restaurant, tennis, fitness
4 The Beach House I, II, III	3400 Gulf Blvd.		64	swimming pool
6 Bridgepoint	334 Padre Blvd.	956-761-7969	35	swimming pool, tennis court, fitness, HC
7 Castaways	3700 Gulf Blvd.		32	swimming pool
8 Continental	4908 Gulf Blvd.		15	swimming pool
9 Edgewater	2216 Gulf Blvd.		35	swimming pool, tennis court, HC
10 Embassy	2600 Gulf Blvd.		30	swimming pool, tennis court, HC
11 Florence I	5500 Gulf Blvd.		30	swimming pool
12 Florence II	5700 Gulf Blvd.		60	swimming pool
13 Franke Plaza	708 Padre Blvd.		69	swimming pool, tennis court, HC
14 Gulf Point	200 Padre Blvd	956-761-5611	38	swimming pool, tennis court, HC
15 Inverness Resort	5600 Gulf Blvd.	956-761-7919	92	swimming pool, tennis court
16 Isla Del Sol	600 Padre Blvd.		44	swimming pool
17 La Internacional	5008 Gulf Blvd.		42	swimming pool
18 La Playa	2308 Gulf Blvd.	956-761-1066	20	swimming pool, HC
19 Marisol	1700 Gulf Blvd.	956-761-1193	28	swimming pool, HC
20 Ocean View	4700 Gulf Blvd.		66	swimming pool
21 Ocean Vista Towers	2800 Gulf Blvd.		84	swimming pool, tennis court, HC
22 The Padre Grand	2100 Gulf Blvd.	956-761-7290	88	swimming pool, HC
23 Palms Resort	3616 Gulf Blvd.		30	
24 Parkshore	7000 Gulf Blvd.		40	swimming pool, tennis court, HC
25 Regency	1800 Gulf Blvd.		48	swimming pool, tennis court
26 Royale Beach & Tennis Club	400 Padre Blvd.	956-761-1166	75	swimming pool, tennis court
27 Saida Towers I, II, III, IV	410 Padre Blvd.		237	swimming pool, tennis court, HC
28 Sandpiper III & IV	3708 Gulf Blvd.		3	swimming pool
29 Sangria Condominiums	1400 Gulf Blvd.	956-761-2141	44	tennis court, swimming pool
30 Seabreeze Beach Resort	5400 Gulf Blvd.	956-761-1541	48	tennis court, swimming pool
31 Seagull	4100 Gulf Blvd.		20	swimming pool
32 Sea Vista	110 Padre Blvd.	956-761-5526	12	tennis court, swimming pool, HC
33 Seville	3900 Gulf Blvd.		36	tennis court, swimming pool
34 Sheraton South Padre Beach Hotel & Condos	310 Padre Blvd.	956-761-6551	47	tennis court, swimming pool, fitness, HC
35 Summit	900 Padre Blvd.		64	tennis court, swimming pool,
36 Sunchase Beachfront	1010 Padre Blvd	956-761-1660	48	tennis court, swimming pool, pets, HC
37 Sunchase IV	1000 Padre Blvd.	956-761-5704	120	tennis court, swimming pool, fitness, HC
38 Suntide I	1912 Gulf Blvd.		13	swimming pool
39 Suntide II	4400 Gulf Blvd.		30	tennis court, swimming pool
40 Suntide III	3000 Gulf Blvd.		118	tennis court, indoor & outdoor pool
41 Tiki Condominiums/Hotel	6608 Padre Blvd.	956-761-2694	130	indoor & outdoor pool, pets
43 Beachview	2400 Gulf Blvd.		42	swimming pool
44 Casa Del Sol	200 East Amberjack		24	swimming pool
45 Coronado I, II	5701 Gulf Blvd.		12	swimming pool
46 Fiesta Sol	115 E. Amberjack		45	swimming pool
47 Gulfview I	120 Padre Blvd.	956-761-5910	26	tennis court, swimming pool
48 Gulfview II	130 Padre Blvd	956-761-5910	78	tennis court, swimming pool
49 Habitat	104 East Parade	956-	25	swimming pool
50 Morningside I, II, III, IV	129 East Morningside		24	swimming pool
51 Padre Oasis	111 East Morningside		30	swimming pool
52 Padre Place I & II	123 Retama		12	
53 Palmetto	5712 Padre Blvd.		15	pets, restaurant
54 Park Lane Resort	108 East Coronado	956-761-7924	20	swimming pool
55 Schlitterbahn Island Rentals	132 East Gardenia	956-772-9844	9	swimming pool, pets

56 Seascape	117 East Verna Jean	956-761-7168	30	swimming pool
57 Seaside Apartments	3201 Gulf Blvd.	956-761-7035	5	swimming pool, pets
58 Surfside I & II	302 East Morningside		65	swimming pool
59 Terra Mar at South Padre	107 East Aries	956-361-3959	4	pets, HC
60 The Upper Deck	120 East Atol	956-761-5953	29	swimming, pets, HC
61 Ventura	119 East Venus		27	swimming pool
62 Villa Del Sol	110 East Verna Jean		27	swimming pool
63 Villa Isles	109 East Gardenia	956-761-6423	12	
64 Vista Del Mar	123 East Pompano		44	swimming pool
65 Galleon Bay Resort	4901 Laguna Blvd.	956-761-7808	40	swimming pool, HC
66 La Solana	206 West Red Snapper		31	swimming pool
67 Landfall Tower Resort	6403 Padre Blvd.		54	swimming pool, fishing, dock, pets
68 Las Brisas	227 West Morningside	956-761-5111	24	tennis court, swimming pool, fishing, boat ramp,
69 Puesta Del Sol	201 West Acapulco		42	tennis court, swimming pool
70 Sand Castle	208 West Kingfish		49	swimming pool, fishing, boat ramp
71 South Padre Marina	6201 Padre Blvd.		49	swimming pool, fishing, boat ramp
72 Sunset on the Bay	5101 Padre Blvd.		21	tennis court, swimming pool, fishing, boat ramp, HC
73 Tierra Encantada	220 West West Cora Lee		35	tennis court, swimming pool, boat ramp

<b>TOTAL</b>	<b>3,152</b>
<b>AVERAGE</b>	<b>44</b>

\*HC denotes handicap-friendly condominiums

\*\*Approximately 55% of units are estimated to be currently in the available rental pool; many of these units are classified as seasonal units

Source: *The Guide to South Padre Island* & THK Associates, Inc.

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### 3. *Recreational Vehicle Visitors*

Recreational vehicle visitors are an important component of the demand from visitors. The Island currently has 754 sites in two large parks, while the whole of Cameron County has an astounding 8,923 RV sites. This is, of course, a tremendous source of day visitation to the Island. The following table lists the 40 RV facilities in the area. Given the total of 8,923 RV sites in the area, these 21 facilities average approximately 223 sites each.

Recreational vehicle visitors staying at the Island RV parks are projected in Tables IV-24 and IV-25. A total inventory of 754 sites in 2004 is expected to yield an average of 734 daily visitors based on 44% occupancy. Average daily visitation will grow to 881 people staying at recreational sites on the Island in 2015. With RV visitation projected to grow to 804 by 2010 and 881 by 2015, the number of RV spaces needs to grow to 830 spaces by 2005 and 910 by 2015. In total, 156 new RV spaces need to be added on South Padre Island to meet demand projected through 2015. If a density of 15 units per acre is accomplished, a total of 10 to 15 acres of land should be set aside for future recreational vehicle development.

**Table IV-23:Inventory of Cameron County RV Parks**

Park Name	Address	Phone	Number of Sites	Number of Hookups	Lo Price	Hi Price	YOC	Occupancy Rate	Additional Facilities, Recreation
<b>Arroyo City</b>									
1 Seaway RV Village	At jct FM-1847 & FM-2925	(956)748-2276	72	72	\$20				30 Pull Thrus, Dump Station, Ice, Patios, Phone or Modem Hookup, Tenting, Boating, Dock, Fishing, Pavilion, Recreation Hall, River/Saltwater Fishing
<b>Brownsville</b>									
2 4 Seasons Mobile Home Park & RV Resort	From jct US 83/77 & FM 802 Go 5 mi E on FM 802 then 1/4 mi W (Right) on Coffee Port Rd	(956)831-4918	125	125	\$25				Ice, Laundry, Patios, Phone/Modem, Traffic Control Gate, Boating, Canoeing, Fishing, Pool, Recreation Hall, Whirlpool
3 Autumn Acres RV & Mobile Home Park	From jct US 83-77 & Boca Chica Blvd Go 3-1/4 mi E on Boca Chica Blvd	(956)546-4979	143	143	\$23				Ice, Laundry, Patios, Phone/Modem Horseshoes, Pool, Recreation Hall, Shuffleboard, Whirlpool
4 Breeze Lake Campground	From jct US 83-77 & FM 511 Go 11 mi SE on FM 511 then 3/4 mi W on FM 802 to first stop light then 1/4 mi S on Vermillion Rd	(877)296-3329	187	187	\$20	\$26			18 Pull Thrus, Ice, Laundry, Patios, Phone/Modem, Traffic Control Gate, Fishing, Horseshoes, Pool, Recreation Hall, Shuffleboard
5 Paul's RV Park	From jct US 83-77 & Boca Chica Blvd Go 4 mi E on Boca Chica then 9/10 mi N on Minnesota Ave	(800)352-5010	135	135	\$20	\$29			17 Pull Thrus, Ice, Laundry, Groceries, Patios, Phone/Modem, Picnic Tables, Tenting, Hiking, Horseshoes, Pool, Recreation Hall, Shuffleboard, Whirlpool
6 Rio RV Park	From jct US 83-77 & Boca Chica Blvd Go 7-1/2 mi E on Boca Chica Blvd.	(800)776-1895	117	117	\$15	\$29			18 Pull Thrus, Cable TV, Ice, Laundry, Groceries, Patios, Phone/Modem, Tenting Coin Games, Fishing, Hiking, Pool, Recreation Hall, Sports Field
7 Rod & Reel RV Court Inc. Adult Park	From jct FM 802 & US 83/77 Go 2 mi S on US 83/77 then 5 mi E on Boca Chica then 1 mi S on FM 511	(956)831-3931	50	50	\$24				Laundry, Patios, Phone/Modem, Tenting, Fishing, Recreation Hall
8 Tip-O-Tex Travel Trailer Park	From jct FM 802 & US 83/77 Go 4 mi N on US 83/77 then 1/2 mi S on W Service Rd cross under 83/77	(956)350-4031	90	90	\$20				20 Pull Thrus, Laundry, Patios, Phone/Modem Tenting, Pool, Recreation Hall
9 Winter Haven Resort	From jct US 83/77 & FM 802 Go 2-1/2 mi E on FM 802 then 3/4 mi N on Old Port Isabel Rd	(956)831-7755	29	29	\$20	\$28			14 Pull Thrus, Ice, Laundry, Patios, Phone/Modem, Fishing, Pool, Recreation Hall, Tennis
10 Crooked Tree Camp	From jct US 83-77 & FM 802 Go 1/4 mi W on FM 802	(956)546-9617	200	200	\$25	\$30			24 Pull Thrus, Ice, Laundry, Patios, Phone/Modem, Tenting, Fishing, Pavilion, Pool, Recreation Hall
11 River Bend Resort	From Jct US 83/77 & FM 802 Go 2-1/2 mi W on FM 802 then 2-3/4 mi NW on US 281	(956)548-0194	182	182	\$21				Ice, Laundry, Patios, Phone/Modem, Pool, Recreation Hall, Shuffleboard, Tennis
12 Stagecoach Motel & Trailer Park	From jct US 83/US 77 & FM 802 Go 1/2 mi W on FM 802	(956)542-8488	70	70					4 Pull Thrus, Laundry, Patios, Phone/Modem Tenting, Recreation Hall, Shuffleboard

Park Name	Address	Phone	Number of Sites	Number of Hookups	Lo Price	Hi Price	Occupancy Rate	Additional Facilities, Recreation
<b>Harlingen</b>								
13 East Gate Mobile Home & RV Park	From jct US 77 & Hwy 499 Loop Go 2-1/2 mi N on US 77 then 5-1/2 mi E on Loop 499 then 1/4 mi W on FM 106	(956)423-3137	170	170	\$23			Laundry, Patios, Phone/Modem, Public Phones Pool, Recreation Hall, Shuffleboard
14 Encore RV Park Harlingen	From jct US-83 & US-77 Go 2-1/2 mi N on US-77 then 1 block E on Primera Rd then 1/4 mi N on US-77 frontage road	(800)456-4137	1066	1066	\$21			230 Pull Thrus, Ice, Laundry, Groceries, Patios, Phone/Modem, Traffic Control Gate Horseshoes, Recreation Hall, Shuffleboard, Whirlpool
15 Carefree Valley	From jct US 83 & US 77 Go 2-1/2 mi N on US 77 then 1 blk E on Primera Rd then 1 mi N on Bus US 77	(956)425-2540	250	250	\$20			Laundry, Phone/Modem, Pool, Recreation Hall, Shuffleboard
16 Dixieland Mobile Home & RV Park	From jct US-83-US-77 & Bus US-83 Go 1/4 mi W on Bus US-83 then 1/2 mi S on Dixieland Rd	(956)425-6707	24	24	\$22			Laundry, Patios, Phone/Modem Pool, Recreation Hall, Shuffleboard
17 Fig Tree RV/MH Resort	From jct US 77 & US 83 Go 3-1/2 mi W on US 83 then 1/4 mi W on north service road	(956)423-6699	200	200	\$25			Ice, Laundry, Patios, Phone/Modem, Pool, Recreation Hall, Shuffleboard
18 La Mirada Mobile Home & RV Park	From jct US 83/77 & Business Hwy 83 Go 3-3/4 mi W on Business Hwy 83	(956)428-1966	60	60	\$22			Laundry, Patios, Phone/Modem Pool, Recreation Hall
19 Palm Gardens MH & RV Community	From jct US 77 & US 83 Go W 1 mi on US 83 then 1/4 mi S on Lewis Ln then left on Bus 83 (E) 1/2 mi	(956)423-7670	256	256	\$18	\$25		29 Pull Thrus, Laundry, Patios, Phone/Modem Pool, Recreation Hall, Shuffleboard
20 Paradise Park Harlingen	From jct US 83 & US 77 Go 2 mi N on US 77 exit Wilson Rd then 1/2 mi S on W service road	(800)425-1201	309	309	\$23			309 Pull Thrus, Ice, Laundry, Patios, Phone/Modem Horseshoes, Pool, Recreation Hall, Whirlpool
21 Posada Del Sol RV Resort	From jct US 77 & US 83 Go 1 mi W on US 83 then 1/4 mi S on Lewis Lane then 3/4 mi E on Bus US 83	(956)423-3534	129	129	\$21			Laundry, Patios, Phone/Modem Fishing, Pool, Recreation Hall
22 Sunburst RV Park	From jct US-77 & US-83 Go 1 mi W on US-83 then 1/2 mi W on north service road then 1/4 mi N on Palm Blvd	(800)459-4525	300	300	\$21			42 Pull Thrus, Laundry, Patios, Phone/Modem Horseshoes, Pool, Recreation Hall Whirlpool
23 Sundance RV Village	From US 83/77 & Business 83 Go 2-1/2 mi W on Business 83	(956)423-8314	77	77	\$15			3 Pull Thrus, Laundry, Phone/Modem Recreation Hall
24 Tropic Winds Resort	From US 77 Go 2-1/2 mi E on Loop 499	(956)423-4020	477	477	\$26			Laundry, Patios, Phone/Modem, Traffic Control Gate, Basketball, Pool, Putting Green, Recreation Hall, Tennis

Park Name	Address	Phone	Number of Sites	Number of Hookups	Lo Price	Hi Price	Occupancy Rate	Additional Facilities, Recreation
<b>La Feria</b>								
25 Kenwood RV & MH Plaza	From jct US-83 & FM-506 Go 300 feet N on Hwy-506	(956)797-1851	289	289	\$27			121 Pull Thrus, Cable TV, Laundry, Patios, Phone/Modem, Horseshoes, Pool, Recreation Hall, Shuffleboard, Whirlpool
26 La Feria RV Park	From jct US-83 & FM-506 Go 1/4 mi E on South service road	(956)797-1043	153	153	\$25			Laundry, Patios, Phone/Modem, Pool, Recreation Hall
27 The Yellow Rose MH & RV Park	From jct US 83 & FM 506 Go 1/2 mi N on FM 506	(956)797-2726	87	87	\$25			Laundry, Patios, Phone/Modem, Pool, Recreation Hall
28 VIP Park	From jct Expressway US 83 & FM 506 Go 1/4 mi E on South service road.	(956)797-1401	147	147	\$25			136 Pull Thrus, Laundry, Patios, Phone/Modem, Pool, Recreation Hall
<b>Los Fresnos</b>								
29 Holiday Out RV Park	From jct FM 1847 & Hwy 100 Go 1/2 mi E on Hwy 100	(956)233-5111	92	92	\$23			27 Pull Thrus, Laundry, Patios, Phone/Modem, Horseshoes, Recreation Hall, Whirlpool
30 Palmdale RV Resort	From jct of US 77/83 & Hwy 100 E 3.2 mi on Hwy 100	(800)456-7683	200	200	\$25			Laundry, Phone/Modem, Public Phones, Horseshoes, Pool, Recreation Hall, Shuffleboard, Whirlpool
<b>Port Isabel</b>								
31 Long Island Village	From jct Hwy-48 & Hwy-100 Go 1-1/2 mi E on Hwy-100 then 1 mi S on Garcia St	(956)943-6449	150	150	\$40	\$45		Laundry, Patios, Phone/Modem, Public Phone, Boating, Dock, Fishing, Mini-Golf, Pool, Recreation Hall, Shuffleboard, Tennis, Volleyball
32 Port Isabel Park Center	From jct Hwy 48 & Hwy 100 Go 3/4 mi E on Hwy 100 then 2 blocks S on Champion Ave	(956)943-7340	225	225	\$16			A/C, Cable TV, Hot Shower, Laundry, Phone/Modem, Public Phone, Tenting, Boating, Dock, Fishing, Horseshoes, Recreation Hall, Shuffleboard
33 Traveler's RV Park	From jct Hwy 48 & Hwy 100 Go 3/4 mi E on Hwy 100	(956)943-3373	90	90	\$15			Cable TV, Laundry, Patios, Tenting, Boating, Dock, Fishing, Recreation Hall
<b>San Benito</b>								
34 First Colony Mobile Home & RV Park	From jct US 83 & US 77 Go 3 mi S on US 83/77 to Paso Real exit then 1/2 mi S on west service road then 1/4 mi W on Zillock Rd	(956)399-8595	264	264	\$23			14 Pull Thrus, Laundry, Patios, Phone/Modem, Public Phone, Pool, Recreation Hall, Shuffleboard
35 Fun N Sun RV Park	From jct US 83 & US 77 Go 3 mi S on US 83/77 to Paso Real exit then 1/2 mi S on west service road then 1/2 mi W on Zillock Rd	(800)399-5127	1515	1515	\$26			25 Pull Thrus, Ice, Laundry, Phone/Modem, Public Phone, Traffic Control Gate, Horseshoes, Pool, Putting Green, Recreation Hall, Shuffleboard, Sports Field

36	Pan American RV Park	From jct US 77/83 & FM 345 Go 3 mi NE on FM 345/Sam Houston	(956)399-8960	83	83	\$25		Laundry, Phone/Modem, Recreation Hall, Shuffleboard
37	Tropical Trails Mobile Home Park	From jct US 83 & US 83/77 Go 5 mi S, then 1 mi E on N Williams	(956)399-3186	96	96	\$20		Laundry, Patios, Phone/Modem, Recreation Hall, Shuffleboard
<b>South Padre Island</b>								
38	Destination South Padre Island	From Causeway: Go 1/4 mi S on Padre Blvd.	(800)867-2373	214	214	\$34 -	\$43	60 Pull Thrus, Laundry, Phone or Modem Hookup Picnic Tables, Public Phone Fishing, Pool, Recreation Hall Recreation Room/Area, Saltwater Fishing
39	Isle Blanca Park	From jct Hwy-100 & Park Road 100: Go 1 mi S on Park Road 100	(956)761-5493	540	498		1955	42 Water/Elec Hookups, 378 Pull Thrus, Dump Station, Grills, Ice, Laundry, Picnic Tables, Public Phones, Tenting, Boating, Dock, Fishing, Playground, Recreation Hall
<b>Rio Hondo</b>								
40	Twin Palms RV Park	From jct FM 345 & FM 106 Go 1/2 mi W on FM 106	(956)748-2881	60	60			60 Pull Thrus, Laundry, Phone/Modem Public Phone, Pool, Recreation Hall, Shuffleboard
				<b>Totals</b>	<b>8,923</b>	<b>8,881</b>	<b>\$23 -</b>	<b>\$32</b>

Source: THK Associates, Inc.

**TABLE IV-24: RV VISITORS TO SOUTH PADRE ISLAND, 2005**

RV VISITORS													
	<u>AVERAGE</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
TOTAL RV SITES	754												
OCCUPANCY	44%	27%	34%	36%	40%	60%	76%	84%	76%	56%	14%	11%	17%
OCCUPIED UNITS	333	201	255	274	299	451	572	633	572	425	108	83	127
VISITORS	734	442	561	604	658	992	1,259	1,393	1,259	935	237	183	280
PERCENT	100.0%	5.0%	6.4%	6.9%	7.5%	11.3%	14.3%	15.8%	14.3%	10.6%	2.7%	2.1%	3.2%

1\ Assumes 2.2 visitors per RV

Source: THK Associates, Inc

**TABLE IV-25: PROJECTED RV VISITORS TO SOUTH PADRE ISLAND, 2005-2015**

RV VISITORS													
Year	<u>AVERAGE</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
2005	734	442	561	604	658	992	1,259	1,393	1,259	935	237	183	280
2010	804	475	602	649	743	1,120	1,387	1,503	1,359	1,014	275	207	317
2015	881	510	647	697	838	1,264	1,527	1,623	1,467	1,100	318	234	349

1\ Assumes 2.2 visitors per RV

Source: THK Associates, Inc

#### 4. *Day Visitors*

Finally, having determined overnight visitation and bridge crossings, day visitors to South Padre Island can be projected. It was determined that almost 4.3 million people will visit the Island for the day in 2005. Almost 550,000 people, or over 18,000 per day, will come for the day in July. Based on historic growth in a variety of sectors, THK projects that day visitation will grow to almost 5.4 million in 2015. These figures are detailed in Table IV-26 and IV-27.

**TABLE IV-26: DAY VISITORS TO SOUTH PADRE ISLAND, 2005**

DAY VISITORS									
	ANNUAL	January	February	March	April	May	June	July	August
TOTAL VISITORS	5,150,000	262,650	278,100	427,450	391,400	303,850	566,500	659,200	612,850
NUMBER IN OVERNIGHT FACILITIES	860,050	43,863	46,443	71,384	65,364	50,743	94,606	110,086	102,346
NUMBER OF DAY VISITORS	4,289,950	218,787	231,657	356,066	326,036	253,107	471,895	549,114	510,504

Source: THK Associates, Inc

**TABLE IV-27: PROJECTED DAY VISITORS TO SOUTH PADRE ISLAND, 2005 - 2015**

DAY VISITORS									
Year	TOTAL	January	February	March	April	May	June	July	August
2005	4,289,950	218,787	231,657	356,066	326,036	253,107	471,895	549,114	510,504
2010	4,806,516	245,132	259,552	398,941	365,295	283,584	528,717	615,234	571,975
2015	5,385,283	274,649	290,805	446,979	409,282	317,732	592,381	689,316	640,849

Source: THK Associates, Inc

## 5. *Summary of Daily Island Population*

Table IV-28 combines each visitor segment, as well as permanent residents, to determine the daily population on the Island. In 2005, there will be almost 22,000 people on South Padre Island each day. This adds to more than the 5.1 million people estimated to visit SPI, but one must remember to account for multiple day visits by most overnight parties. By 2015, over 28,000 people will be on the Island each day, including over 41,000 people daily in August 2015. This represents a total growth in visitation of approximately 2.5% annually for the next ten years.

**TABLE IV-28: SUMMARY OF AVERAGE DAILY POPULATION ON SOUTH PADRE ISLAND, 2005-2015**

	<u>TOTAL</u>	<u>Percent</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
2005														
RESIDENTS	2,849	12.9%	2,849	2,849	2,849	2,849	2,849	2,849	2,849	2,849	2,849	2,849	2,849	2,849
HOTEL/CONDO	5,403	24.5%	4,575	5,803	6,249	6,807	5,803	7,365	8,146	7,365	5,468	2,455	1,897	2,901
SEASONAL	1,351	6.1%	851	1,077	1,644	1,304	1,644	2,098	2,325	1,815	1,361	737	680	680
RV VISITORS	734	3.3%	442	561	604	658	992	1,259	1,393	1,259	935	237	183	280
DAY VISITORS	11,737	53.2%	7,058	8,273	11,486	10,868	8,165	15,730	17,713	16,468	14,443	10,517	10,439	9,687
TOTAL	22,074	100.0%	15,775	18,563	22,832	22,486	19,453	29,301	32,426	29,756	25,056	16,796	16,049	16,398
2010														
RESIDENTS	3,380	13.4%	3,380	3,380	3,380	3,380	3,380	3,380	3,380	3,380	3,380	3,380	3,380	3,380
HOTEL/CONDO	6,351	25.3%	5,378	6,821	7,346	8,002	6,821	8,657	9,576	8,657	6,428	2,886	2,230	3,411
SEASONAL	1,451	5.8%	913	1,157	1,766	1,400	1,766	2,253	2,496	1,948	1,461	791	731	731
RV VISITORS	804	3.2%	475	602	649	743	1,120	1,387	1,503	1,359	1,014	275	207	317
DAY VISITORS	13,151	59.6%	7,907	9,270	12,869	12,177	9,148	17,624	19,846	18,451	16,182	11,784	11,696	10,853
TOTAL	25,137	100.0%	18,054	21,230	26,009	25,701	22,235	33,301	36,802	33,796	28,465	19,116	18,243	18,691
2015														
RESIDENTS	4,010	14.0%	4,010	4,010	4,010	4,010	4,010	4,010	4,010	4,010	4,010	4,010	4,010	4,010
HOTEL/CONDO	7,476	26.1%	6,331	8,030	8,647	9,419	8,030	10,191	11,272	10,191	7,566	3,397	2,625	4,015
SEASONAL	1,558	5.4%	981	1,242	1,896	1,504	1,896	2,419	2,681	2,092	1,569	850	785	785
RV VISITORS	881	3.1%	510	647	697	838	1,264	1,527	1,623	1,467	1,100	318	234	349
DAY VISITORS	14,734	66.7%	8,860	10,386	14,419	13,643	10,249	19,746	22,236	20,673	18,130	13,203	13,104	12,160
TOTAL	28,660	100.0%	20,692	24,315	29,669	29,414	25,450	37,894	41,822	38,434	32,376	21,777	20,758	21,318

Source: Texas Department of Tourism; THK Associates, Inc.

## V. RESIDENTIAL MARKET ANALYSIS

### A. Projected Permanent Residential Demand on South Padre Island

The potential for new residential development is subject to a variety of pressures including interest rates, inflation, social, political and other economic influences. The preceding section of this report projected the overall growth in population and household formations that will create the aggregate demand for new housing construction. Historical trends in new housing construction were also examined to show how past construction trends have coincided with population and demographic changes and economic conditions.

Based upon the historical performance of Cameron County, and upon the projected growth in new household formations shown earlier in this report, the demand for new residential construction can be segmented by tenure and type of unit. This will allow the market potentials for specific types of residential construction to be examined. The key components of residential construction demand during the next decade include new housing units to meet demands of new population growth and household formations, construction to meet the demands of the existing households in the area who desire to upgrade or downgrade into new ownership units, construction to meet the renewed and rising needs of vacation renters and owners and construction to replace units lost through demolition and conversion. Table V-1 summarizes the net change in housing unit demand expected during the next decade on South Padre Island.

THK projects household formations will average 174 per year during the projection period 2005-2015 which will produce a demand for the construction of 174 dwelling units annually when adjusted for vacancies and rental condominium construction. Single-family detached construction of 39 units annually during the next decade will account for approximately 22% of total construction in South Padre. Townhome and condominium construction will average 114 units annually, or 65% of the total market followed by rental apartment construction with 17 units annually, or 10% of total construction.

**TABLE V-1: Projected Permanent & Rental Condominium Residential Demand in South Padre Island, 2005-2015**

Year	Households	Annual Household Growth	New Residential Unit Demand	Ownership Units					Rental Multi-family
				Total Ownership	Detached Single Family	Rental Condo & Townhome	Manufactured Housing	Rental Multi-family	
2005	1,446	55	143	129	32	94	3	14	
2006	1,501	57	149	134	33	97	3	15	
2007	1,558	59	155	139	35	101	3	15	
2008	1,617	61	160	144	36	105	4	16	
2009	1,679	64	166	150	37	109	4	17	
2010	1,742	66	173	156	39	113	4	17	
2011	1,809	69	179	161	40	117	4	18	
2012	1,877	71	186	168	42	121	4	19	
2013	1,949	74	193	174	43	126	4	19	
2014	2,023	77	201	181	45	131	5	20	
2015	2,100	80	209	188	47	136	5	21	
Average Annual Demand (2005-2015)	65		174	157	39	114	4	17	

Source: THK Associates, Inc.

## B. Total Projected Residential Demand on South Padre Island

Based upon the annual housing unit demand forecasted in Table V-1, THK has estimated the demand for seasonal/second homes on South Padre Island. Earlier in the market analysis, projections of seasonal unit growth through the year 2015 were made based on historical data. Table IV-7 showed seasonal units increasing from 2,181 in 2005 to 2,490 in 2015, an annual average growth rate of 1.3%. The seasonal/second home demand shown below represents the year-to-year increases in the ten-year period. With the addition of seasonal home demand, the total housing unit demand will grow at an average of 205 units per year for the next decade. The second home market comprises 15% of the total South Padre housing unit demand. This demand is segregated between detached single-family (45%) and attached single-family (55%). Single-family detached construction of 134 units annually during 2005-2015 accounts for about 25% of total construction on South Padre Island. Condominiums and townhome construction will average 131 units annually, or 65% of the total market followed by rental apartment construction with 17 units annually, or 8% of total construction.

**TABLE V-2: Total Projected Residential Demand in South Padre Island, 2005-2015**

Year	Permanent Household Unit Demand	Seasonal/ Second Home Demand	Total Housing Unit Demand	Ownership Units					Rental Multi-family
				Total Owner-ship	Detached Single Family	Rental Condo & Townhome	Manu-factured Housing		
2005	143	28	172	157	45	109	3	14	
2006	149	29	178	163	46	113	3	15	
2007	155	29	184	168	48	117	3	15	
2008	160	29	190	174	49	121	4	16	
2009	166	33	200	183	52	127	4	17	
2010	173	30	203	186	53	129	4	17	
2011	179	31	210	192	54	134	4	18	
2012	186	31	217	199	56	139	4	19	
2013	193	31	225	205	58	143	4	19	
2014	201	36	237	217	62	151	5	20	
2015	209	36	245	224	63	156	5	21	
Average Annual Demand (2005-2015)			205	188	53	131	4	17	

Source: THK Associates, Inc.

**C. Projected Single-Family Lot Demand on South Padre Island**

Based on the demand for single-family detached units forecasted for the next decade in Table V-2, THK is able to project the number of additional lots that will be in demand during the same timeframe. This projection is based on historical undeveloped parcel sales in the area. THK estimates this demand will grow from 2 lots in 2005 to 3 lots in 2015, an annual average of 3 additional lots. Combined with the units demanded, it results in the total demand for units and lots to increase from 47 to 67 in 2015, an annual average of 56 units and lots over the next decade.

**TABLE V-3: Total Projected Residential Unit/Lot Demand in South Padre Island, 2005-2015**

Year	Total Unit Demand (Detached Single-Family)	Additional Residential Land/Lot Demand	Total Single Family Lot & Unit Demand
2005	45	2	47
2006	46	2	49
2007	48	2	50
2008	49	2	52
2009	52	3	55
2010	53	3	55
2011	54	3	57
2012	56	3	59
2013	58	3	61
2014	62	3	65
2015	63	3	67
Average Annual Demand (2005-2015)	53	3	56

Source: THK Associates, Inc.

To better quantify the demand for new residential units on South Padre Island, THK breaks down the trade area's existing households by income range and then converts those income ranges to home purchasing capacity and monthly rental capacity. Home purchasing capacity is calculated using estimated monthly payments (principle, interest, taxes and insurance) based on a 30-year fixed rate mortgage with a 8.0% interest rate and a 20% down payment. In determining monthly rental capacity it's assumed - as available statistics indicate - that households that rent spend, on average, 25% of their gross income on housing. Households that own their homes typically allot 28%-32% of their income to mortgage payments. It should be noted that no allowances have been made to account for the greater purchasing capacity that may be derived from adjustable rate mortgages (ARMs) or other alternative financing mechanisms. For that reason, Table V-4's home purchasing capacity estimates are likely conservative.

The median household income in South Padre Island is currently approximately \$49,000. This suggests that the median permanent household in the trade area can afford a \$196,100 home. However, new home sales suggest that buyers are spending a greater percentage of their incomes on housing and that residents with significantly higher incomes are purchasing new products. In terms of rental condo and second home purchasing capacity, adjustments were made based on pricing of existing and new product aimed at this market and on similar analyses performed by THK in regionally and conceptually competitive markets.

In the following table, the demand for residential units in South Padre Island is projected by price range. Table V-5 shows the demand distribution for the annual average of 56 single-family detached units projected by THK to be demanded in South Padre Island. Approximately 35% of the projected single-family demand in the primary trade area will be for homes priced over \$392,000. Approximately 70% of the seasonal single-family demand is for homes priced over \$256,000.

**Table V-4: Permanent Resident Purchasing Capacity in South Padre Island, 2005**

Income Range	Percent of Permanent Households	Home Purchasing Capacity	Estimated Monthly Payment (PITI)	Lot Purchasing Capacity
Under \$15,000	14.7%	Under \$50,000	\$330	Under \$12,000
\$15,000 - \$19,999	6.1%	\$50,000 - \$69,999	\$390	\$12,000 - \$16,999
\$20,000 - \$24,999	6.2%	\$70,000 - \$89,999	\$530	\$17,000 - \$21,999
\$25,000 - \$29,999	5.2%	\$90,000 - \$109,999	\$660	\$22,000 - \$25,999
\$30,000 - \$34,999	5.7%	\$110,000 - \$134,999	\$810	\$26,000 - \$31,999
\$35,000 - \$39,999	4.9%	\$135,000 - \$164,999	\$990	\$32,000 - \$39,999
\$40,000 - \$49,999	9.0%	\$165,000 - \$199,999	\$1,200	\$40,000 - \$47,999
\$50,000 - \$74,999	17.1%	\$200,000 - \$259,999	\$1,510	\$48,000 - \$61,999
\$75,000 & Above	31.1%	\$260,000 & Above	\$1,840	\$62,000 - & Above
Median	\$49,020	100.0%	\$196,100	

Source: U.S. Dept. of Commerce, Bureau of the Census, and THK Associates, Inc.

**Table V-5: Annual Average Residential Demand By Type and Price Range in South Padre Island**

Single-Family Price Range	Permanent Households	Percent	2nd Home/ Seasonal Residents	Percent	Additional Lots	Percent	Total	Percent
<i>Detached Single Family</i>								
Under \$49,000	13	32.3%	2	15.0%	1	32.5%	15	27.9%
\$196,000 - \$256,000	5	13.3%	2	17.5%	1	17.5%	9	15.5%
\$256,000 - \$392,000	8	20.9%	4	25.0%	1	20.0%	13	23.2%
\$392,000	13	33.5%	6	42.5%	1	30.0%	20	35.6%
Total	39	100.0%	14	100.0%	3	100.0%	56	102.2%
<i>Condominiums and Townhomes</i>								
Under \$135,000	17	15.4%	1	5.0%			18	14.0%
\$135,000 - \$200,000	21	18.9%	3	15.0%			24	18.4%
\$200,000 - \$259,999	22	19.6%	5	30.0%			27	21.0%
\$260,000 +	52	46.1%	9	50.0%			61	46.6%
Total	114	100.0%	17	100.0%			131	100.0%
<i>Rental Multi-Family</i>								
Under \$400	4	20.8%						
\$400 - \$599	3	17.1%						
\$600 - \$799	2	13.9%						
\$800 +	8	48.2%						
Total	17	100.0%						

Source: U.S. Bureau of the Census and THK Associates, Inc.

#### **D. Representative Residential Projects in the South Padre Island Environs**

In order to profile the detached and attached single-family markets in the environs of South Padre Island, THK has surveyed 7 detached developments and 16 attached single-family and condominium developments. These projects are profiled in Tables V-6, V-7, V-8 and V-9.

Table V-6 demonstrates that 5 of the single-family projects have from 50-74 units, with one development, The Shores of South Padre Island, having more than 200 units. Prices of single-family homes on South Padre Island vary from \$975,000 to \$1,850,000, with an average price per square foot of \$285.

In Laguna Vista, at the South Padre Island Golf Course, prices range from \$150,000 to \$372,500 and average 104 per square foot. At the 7 single-family projects, 875 units were originally planned and today 257 have been sold with 518 remaining to be sold. Lot sizes range from 6,100 sq. ft. to 10,000 sq. ft. with lot prices on the Island averaging \$440,000 and off the Island, \$68,300. Regarding the attached single-family and condominium developments, a total of 1,083 units are planned with 297 units sold, with 786 remaining to be sold. Two bedroom units range in price from \$295,000 to \$325,000 for 1,285 sq. ft. to 1,452 sq. ft., averaging a sales price of \$189/sq. ft.; three bedrooms sell for \$416,000 - \$502,000 for 1,694 sq. ft. to 1,842 sq. ft., or \$237/sq. ft.; and four bedrooms are priced from \$612,000 to \$739,500 for 2,215 sq. ft., or \$295/sq. ft. Penthouse units sell for more than \$1,150,000 for approximately 2,900 sq. ft. or \$312/sq. ft.

**TABLE V-6: Characteristics of Representative Detached Residential Projects in  
The South Padre Island Primary Trade Area**

**A. Projects by Number of Units**

Total Units Planned	Number of Projects	% of Total
0 - 24	0	0.0%
25 - 49	0	0.0%
50 - 74	5	71.4%
75 - 99	1	14.3%
100 - 199	0	0.0%
200 +	1	14.3%
<b>TOTAL*</b>	<b>7</b>	

**B. Projects by Units Remaining**

Total Units Unsold	Number of Projects	% of Total
0	1	16.7%
1 - 9	3	50.0%
10 - 24	1	16.7%
25 - 49	0	0.0%
50 +	1	16.7%
<b>TOTAL*</b>	<b>6</b>	

**C. Projects by Average Unit Base Price**

Unit Price Range	Number of Projects	% of Total
Under \$200,000	2	28.6%
\$200,000 - \$299,999	0	0.0%
\$300,000 - \$399,999	1	14.3%
\$400,000 - \$499,999	1	14.3%
\$500,000 - \$999,999	1	14.3%
\$1,000,000 & Above	2	28.6%
<b>TOTAL**</b>	<b>7</b>	

**D. Planned Units by Average Unit Base Price**

Unit Price Range	Number of Units	% of Total
Under \$200,000	122	15.1%
\$200,000 - \$299,999	0	0.0%
\$300,000 - \$399,999	63	7.8%
\$400,000 - \$499,999	66	8.2%
\$500,000 - \$999,999	469	58.0%
\$1,000,000 & Above	88	10.9%
<b>TOTAL*</b>	<b>808</b>	

**E. Projects by Average Home Size**

Average Size (SF)	Number of Projects	% of Total
Less than 1,500	0	0.0%
1,500 - 1,749	2	33.3%
1,750 - 1,999	0	0.0%
2,000 - 2,499	1	16.7%
2,500 - 2,999	0	0.0%
3,000 +	3	50.0%
<b>TOTAL*</b>	<b>6</b>	

\*Totals are different based on incomplete data.

\*\*Table C total is higher than the number of projects because many projects offer units in different price ranges.

\*\*\*Sales data as of May 2005

Source: THK Associates, Inc.

**TABLE V-7: Active Detached Residential Communities within the South Padre Island Primary Trade Area**

Project Name/Developer	Location	Units Planned	Units Sold	Average Lot Size	Average Lot Price	Price Range			Sq Ft Range			Price Per SF	Start Date	Absorption Lots/Month	Amenities
<b>South Padre Island</b>															
1 The Shores of SPI	South Padre Island, TX Marina Front Beach Front	469	41	0.14	\$130,000 \$750,000	\$175,000 \$975,000	-	\$975,000 \$1,250,000	1,400 3,000	-	3,000 6,000	\$261.36 \$247.22	May-01	0.85	Parks, Town Center
2 The Villas	Beach Drive South Padre Island, TX	88	85	--	--	\$650,000	-	\$1,850,000	3,400	-	3,800	\$347.22	May-03	3.54	Swimming pool, jacuzzi, children's pool, large sun deck, a tennis court, play field, clubhouse
<b>Sub Total Average</b>		<b>557</b>	<b>126</b>	<b>0.14</b>	<b>\$440,000</b>	<b>\$600,000</b>	-	<b>\$1,358,333</b>	<b>2,600</b>	-	<b>4,267</b>	<b>\$285.27</b>	<b>May-02</b>	<b>2.20</b>	
<b>Laguna Vista</b>															
3 The Greens	3 Ocelot TRL Laguna Vista, TX	--	--	--	--	--	-	--	--	-	--	--	--	--	--
<b>4 SPI Golf Club</b>															
Ocelot Creek	Golf House Rd Laguna Vista, TX	50	40	0.15	\$30,000	\$120,000	-	\$160,000	1,400	-	1,600	\$93.33	--	--	Club house, pool, tennis, gym, Spa, Golf
Cactus Wren	Golf House Rd Laguna Vista, TX	72	69	0.17	\$35,000	\$130,000	-	\$180,000	1,600	-	1,800	\$91.18	--	--	Club house, pool, tennis, gym, Spa, Golf
Osprey Cove	Golf House Rd Laguna Vista, TX	63	63	--	--	\$150,000	-	\$450,000	--	-	--	--	--	--	Club house, pool, tennis, gym, Spa, Golf
The Estates	Golf House Rd Laguna Vista, TX	66	59	0.23	\$140,000	\$200,000	-	\$700,000	2,400	-	4,605	\$128.48	--	--	Club house, pool, tennis, gym, Spa, Golf
5 Paradise Cove	HWY 510 & 100 Laguna Vista, TX	67	--	--	--	--	-	--	--	-	--	--	--	--	Club house, pool, fitness center,
<b>Sub Total Average</b>		<b>318</b>	<b>231</b>	<b>0.19</b>	<b>\$68,333</b>	<b>\$150,000</b>	-	<b>\$372,500</b>	<b>1,800</b>	-	<b>2,668</b>	<b>\$104.33</b>	<b>--</b>	<b>--</b>	
<b>TOTAL OVERALL AVERAGE</b>		<b>875</b>	<b>357</b>	<b>0.16</b>	<b>\$254,167</b>	<b>\$375,000</b>	-	<b>\$865,417</b>	<b>2,200</b>	-	<b>3,468</b>	<b>\$194.80</b>	<b>May-02</b>	<b>2.20</b>	

Source: The Real Estate Source: South Padre Island and THK Associates, Inc.

**TABLE V-8: Characteristics of Representative Attached Residential Projects in  
The South Padre Island Primary Trade Area**

**A. Projects by Number of Units**

Total Units Planned	Number of Projects	% of Total
0 - 24	4	25.0%
25 - 49	5	31.3%
50 - 99	2	12.5%
100 - 149	4	25.0%
150 - 199	1	6.3%
200 +	0	0.0%
<b>TOTAL*</b>	<b>16</b>	

**B. Projects by Units Remaining**

Total Units Unsold	Number of Projects	% of Total
0	1	14.3%
1 - 24	4	57.1%
25 - 49	0	0.0%
50 - 99	2	28.6%
100 +	0	0.0%
<b>TOTAL*</b>	<b>7</b>	

**C. Projects by Average Unit Base Price**

Unit Price Range	Number of Projects	% of Total
Under \$200,000	5	17.2%
\$200,000 - \$299,999	2	6.9%
\$300,000 - \$399,999	2	6.9%
\$400,000 - \$499,999	3	10.3%
\$500,000 - \$599,999	6	20.7%
\$600,000 - \$999,999	7	24.1%
\$1,000,000 +	4	13.8%
<b>TOTAL**</b>	<b>29</b>	

**D. Planned Units by Average Unit Base Price**

Unit Price Range	Number of Units	% of Total
Under \$200,000	148	16.9%
\$200,000 - \$299,999	72	8.2%
\$300,000 - \$399,999	30	3.4%
\$400,000 - \$499,999	107	12.2%
\$500,000 - \$599,999	283	32.3%
\$600,000 - \$999,999	198	22.6%
\$1,000,000 +	37	4.2%
<b>TOTAL*</b>	<b>875</b>	

**D. Projects by Average Unit Size**

Average Size (SF)	Number of Projects	% of Total
Less than 1,500	9	28.1%
1,500 - 1,749	3	9.4%
1,750 - 1,999	7	21.9%
2,000 - 2,499	7	21.9%
2,500 - 2,999	2	6.3%
3,000 +	4	12.5%
<b>TOTAL*</b>	<b>32</b>	

\*Totals are different based on incomplete data.

\*\*Table C total is higher than the number of projects because many projects offer units in different price ranges.

\*\*\*Sales data as of May 2005

Source: THK Associates, Inc

**TABLE V-9: Active Attached Residential Communities within the South Padre Island Primary Trade Area**

Project Name/Developer	Location	Type	Units Planned	Units Sold	Bed	Price Range	Sq Ft Range	Price Per SF	Start Date	Absorption Units/Month	Amenities
<b>South Padre Island</b>											
1 Las Arenas	3104 Gulf Blvd South Padre Island, TX	CD	22	--	4bd	-- - --	-- - --	--	--	--	--
2 Las Ventanas	3504 Gulf Blvd South Padre Island, TX	CD	24 7	23 6	3bd P	\$620,000 - \$750,000 \$1,150,000 - \$1,200,000	1,800 - 2,000 2,400 - 2,600	\$360.53 \$470.00	May-01	0.60	Pool, gym
3 Las Dunas	4212 Gulf Blvd South Padre Island, TX	CD	22	--	3bd	-- - --	-- - --	--	--	--	--
4 Isola Bella T1	1515 Padre Blvd South Padre Island, TX	CD	30 30 4	25 22 2	3bd 4bd P	\$588,000 - \$633,000 \$688,000 - \$733,000 \$1,500,000 - \$1,550,000	1,800 - 1,900 2,200 - 2,300 5,000 - 5,100	\$330.00 \$315.78 \$301.98	May-03	2.04	Tennis, gym, pool,
Isola Bella T2	1515 Padre Blvd South Padre Island, TX	CD	30 30 4	-- -- --	3bd 4bd P	\$588,000 - \$600,000 \$788,000 - \$800,000 \$1,500,000 - \$1,550,000	1,800 - 1,900 2,200 - 2,300 5,000 - 5,100	\$321.08 \$352.89 \$301.98	May-07	--	Tennis, gym, pool,
5 Ocean Tower Dormit Construction	2800 Gulf Blvd South Padre Island, TX	CD	40 80 22	36 28 11	2bd 3bd P	\$499,000 - \$521,000 \$575,000 - \$599,000 \$1,195,000 - \$1,195,000	1,480 - 1,480 1,808 - 1,858 3,025 - 3,615	\$344.59 \$320.24 \$359.94	--	--	Beach Club, Spa
6 Sheraton Sapphire T1	310 Padre Blvd. South Padre Island, TX	CD	14 60 7	-- -- --	2bd 3bd P	<b>Price List Not Released</b>	1,285 - 1,547 1,435 - 1,750 2,188 - 4,680	-- -- --	Aug-05	--	Pool, hot tub, game room, spa
Sheraton Sapphie T2	310 Padre Blvd. South Padre Island, TX	CD	14 60 7	-- -- --	2bd 3bd P	<b>Price List Not Released</b>	1,657 - 1,750 1,900 - 2,500 1,900 - 2,500	-- -- --	--	--	Pool, hot tub, game room, spa
7 Las Villas	6410 Padre Blvd. South Padre Island, TX	CD	38	38	3bd	\$349,000 - \$525,000	1,600 - 1,800	\$257.06	Feb-05	9.50	Pool, playground, arcade, indoor pool, spa
8 Laguna Bay	200 W Constellation Dr. South Padre Island, TX	CD	30	--	2bd	\$440,000 - \$757,000	1,987 - 3,303	\$226.28	--	--	Boat docks
9 Vencenza	South Padre Island, TX	CD	-- -- 96	-- -- --	2bd 3bd	\$500,000 - \$650,000 \$650,000 - \$800,000 <i>Fractional Ownership</i> \$90,000 - \$145,000	1,715 - 2,103 2,425 - 2,425 -- - --	\$301.20 \$298.97 --	--	--	Restaurant, Spa, Health Club
10 Sea Dreams	W. Bahama South Padre Island, TX	CD	6	--	2bd	\$152,000 - \$154,000	900 - 950	\$165.41	May-05	--	Pool
11 The Lighthouse	South Padre Island, TX	CD	7 29 2	7 29 1	3bd 4bd P	\$491,000 - \$719,000 \$475,000 - \$750,000 \$1,500,000 - \$1,650,000	2,055 - 2,191 2,055 - 2,377 3,587 - 3,587	\$284.97 \$276.40 \$439.09	--	--	--

Project Name/Developer	Location	Type	Units Planned	Units Sold	Bed	Price Range	Sq Ft Range	Price Per SF	Start Date	Absorption Units/Month	Amenities
12 Cactus Cove	South Padre Island, TX	CD	30	--	2bd	\$299,000 - \$314,000	1,449 - 1,449	\$211.53	--	--	--
			6	--	3bd	\$399,000 - \$499,000	1,943 - 2,058	\$224.44			
<b>Sub Total</b>			<b>751</b>	<b>228</b>							
<b>Average</b>						<b>\$683,455 - \$777,000</b>	<b>2,170 - 2,486</b>	<b>\$307.83</b>	<b>Aug-04</b>	<b>4.05</b>	
<b>Laguna Vista</b>											
13 <b>SPI Golf Club</b>											
The Greens	3 Ocelet Trail Laguna Vista, TX	CD	18	14							
The Harbor	Golf House Rd Laguna Vista, TX	CD	--	--	2bd	\$182,000 - \$182,000	1,400 - 1,400	\$130.00	Jan-04	3.18	Golf, boat slips
			144	54	3bd	\$260,000 - \$260,000	1,750 - 1,750	\$148.57			
Las Palmas	Golf House Rd Laguna Vista, TX	CD	--	--	2bd	\$114,000 - \$124,500	1,148 - 1,148	\$103.88	--		Golf
			64	47	3bd	\$114,000 - \$124,500	1,405 - 1,405	\$84.88			
Las Brisas Casitas	Golf House Rd Laguna Vista, TX	CD	6	5	2bd	\$87,900 - \$93,900	950 - 950	\$95.68	Dec-02		Golf
<b>Sub Total</b>			<b>232</b>	<b>120</b>							
<b>Average</b>						<b>\$151,580 - \$156,980</b>	<b>1,331 - 1,331</b>	<b>\$112.60</b>	<b>Jun-03</b>	<b>3.18</b>	
<b>TOTAL OVERALL AVERAGE</b>			<b>983</b>	<b>348</b>							
<b>AVERAGE by Bed</b>											
					2b	\$252,656 - \$310,711	1,269 - 1,453	\$175.40			
					3b	\$421,273 - \$500,864	1,671 - 1,811	\$239.16			
					4b	\$612,500 - \$739,500	2,214 - 2,394	\$294.97			
					P	\$1,140,833 - \$1,190,833	2,888 - 3,398	\$312.16			

CD Condominium  
TH Townhome  
P Penthouse

Source: The Real Estate Source: South Padre Island and THK Associates, Inc.

In addition to this profile of the active single-family and condominium market, Goodman Associates of the Coldwell Banker office has profiled the beachfront condominium market on South Padre Island as follows:

2001	Unit Mix					Total Units	Unsold when Complete
	1b	2b	3b	4b	P		
Las Arenas				22		22	0
Las Ventanas			24	7		31	2
<b>2002</b>							
None						0	
<b>2003</b>							
Las Dunas				22		22	0
The Lighthouse			18	18	2	38	1
<b>2004</b>							
Isola Bella			30	30	4	64	25

<b>Under Construction with Units to Sell</b>											
As of Jan 2005	Unit Mix					Total Units	Available for Purchase				
	1b	2b	3b	4b	P		1b	2b	3b	4b	P
Ocean Tower		40	78		20	138		1	49		11
Las Villas			38			38			19		
Peninsula	Timeshare					110					
<b>Pre-Selling - Not Under Construction</b>											
Sapphire		63	55			118		47	44		
Isola Bella T2			30	30	4	64			30	30	4

With regard to pricing, Goodman Associates tabulated the following regarding condominium sales on South Padre Island and has prepared the following list of condominiums selling or pre-selling units.

**Under Construction with Units for Sale – 300**

Isola Bella	22
Laguna Bay	30
Peninsula (timeshare)	110
Ocean Tower	138

**Expected on the Market (2-6 months) - 560**

Mangrove Bay	44
Isabella Beach Club	360
Cactus Cove	36
(Un-named)	120

**Currently Pre-Selling – 220**

Las Villas	38
Sapphire	118
Isola Bella (phase 2)	64

**Total 1,080**

Source: Coldwell Banker and THK Associates, Inc.

### Sampling of Beachfront Condominium Units Sold in 2004

AVERAGE	S#	Sq. Ft.	List	Sold	DOM	\$/Sq Ft
One Bedroom	16	748	193,425	186,519	145	256.85
Two Bedroom	48	1,212	306,312	293,312	219	246.91
Three Bedroom	38	1,596	438,882	421,227	191	261.45
Four Bedroom	29	2,412	632,806	628,509	125	258.32
Total/Average	131	1,492	392,856	382,504	170	255.88

MEDIAN	S#	Sq. Ft.	List	Sold	DOM	\$/Sq Ft
One Bedroom	16	605	183,950	175,950	96	258.18
Two Bedroom	48	1,166	315,000	300,000	124	255.06
Three Bedroom	38	1,564	416,500	385,000	150	260.69
Four Bedroom	29	2,376	580,000	580,000	125	250.42
Total/Average	131	1,428	374,613	360,238	124	256.09

### Sold Units - Percentage Change from 2003

AVERAGE	S#	Sq. Ft.	List	Sold	DOM	\$/Sq Ft
One Bedroom	45.5%	3.9%	1.7%	4.9%	91.6%	0.0%
Two Bedroom	54.8%	6.7%	14.6%	17.1%	42.1%	10.9%
Three Bedroom	8.6%	-7.0%	-2.7%	-1.9%	22.9%	4.7%
Four Bedroom	7.4%	3.3%	7.3%	7.6%	-39.8%	4.8%
Total/Average	29.1%	1.7%	5.2%	6.9%	29.2%	5.1%

### Units Reserved on New Projects Announced in 2004

Type	Num	Sq. Ft.	Avg. Price	\$/St. Ft.
One Bedroom	0	0	0	0
Two Bedroom	55	1,500	460,000	306.67
Three Bedroom	59	1,800	600,000	333.33
Four Bedroom	9	2,600	950,000	365.38
Total/Average	123	1,475	502,500	251.35

### Units Reserved - Compared to 2003

Type	Num	Sq. Ft.	Avg. Price	\$/St. Ft.
One Bedroom	None in 2003			
Two Bedroom	None in 2003			
Three Bedroom	None in 2003			
Four Bedroom	-77.5%	9.4%	46.2%	33.6%

### Beachfront Condominiums on the Market Today

Resale - Not including project pre-sales

Type	Num	Sq. Ft.	Avg Price	\$/Sq. Ft.	DOM
One Bedroom	11	678	208,591	307.45	136
Two Bedroom	38	1,216	336,658	276.86	215
Three Bedroom	35	1,621	490,804	302.8	828
Four Bedroom	10	2,306	662,838	287.39	860

Source: Coldwell Banker and THK Associates, Inc.

## E. Residential Development Potentials on South Padre Island

The success of residential development on South Padre Island depends on a number of factors: location, physical suitability of each site for development, and the overall market conditions for residential sales.

The supply and demand sides of the residential market in the South Padre Island primary trade area were evaluated in the previous sections of this report. It was established that South Padre Island will have an average demand for approximately 65 single-family residential units, including manufactured housing units, annually through the year 2015 or, in total, 650 units over the next decade. THK estimates that the average lot size will range approximately from 5,000 to 6,500 sq. ft. and be developed at a density of 4 units per acre. In total, approximately 165 acres will be needed to accommodate single-family demand through 2015.

Following the same analysis for townhomes and rental condominiums, 1,330 units could be absorbed on South Padre Island through 2015. THK's research indicates that currently, South Padre Island has 73 condominium projects with a total of 3,152 units. Of this total, 15 condominium projects with 1,403 units, or 45% of the total, are in midrise or highrise structures averaging 50-60 units per year. The balance of the condominiums and townhomes have been developed at average densities of 25 units per acre for lowrise condominiums and 12 units per acre for townhomes. THK projects that of the total of 1,330 units that should be constructed over the next decade, 600 units in 6-8 midrise to highrise structures should be built on approximately 10 acres, or roughly 1 highrise structure per year. Additionally, approximately 400 units of lowrise condominiums should be built on approximately 20 acres and 330 units of townhomes should be built on approximately 30 acres.

Additionally, 191 units of rental multi-family will be needed by 2015 and these will be developed at a density of 25 units per acre, or 10 acres will be needed to meet demand by 2015. In total, by 2015:

<u>Type of Units</u>	<u>Total Needed to Meet 2015 Demand</u>	<u>Acres</u>
Single-Family	650	165
Townhome and Condominium	1,330	60
Rental Multi-Family	190	10
Total Units	2,170	253

Source: THK Associates, Inc.

## **VI. HOTEL MARKET ANALYSIS**

### **A. National Trends**

The demand for hotel accommodations is derived from three principal sources: business related travel, conventions and tourism. Travelers, whether they be business/commercial travelers, group travelers or noncommercial pleasure travelers, have varying demand characteristics that influence the selection of particular hotels, how long they stay and how much they are willing to pay for a room. The demographic trends most responsible for determining the popularity of travel destinations and room demand are population growth and shifts; rising household incomes; increased leisure time; interstate highway construction; suburbanization of business activities; and air travel and airport construction. The table below lists the principal reasons for travel today in the United States.

#### **Distribution of United States Travel Market by Purpose of Trip**

<u>Purpose of Trip</u>	<u>Percent</u>
Visit Friends or Relatives	28%
Other Pleasure	34%
Business and Conventions	33%
Other	5%

Source: U.S. Travel Data Center and THK Associates, Inc.

One-third of the total travel market is accounted for by business related travel; the remainder is accounted for by pleasure travel and friend/relative visitation. The market for pleasure travel in the United States has been increasing during the past decade, due largely to the increasing cost of foreign travel and the growing number of foreign tourists visiting this country.

Overall, some 55 percent of the market for hotel/motel accommodations is derived from guests on business trips and 25 percent is derived from conventioners. Tourists comprise just 20 percent of the market for hotel/motel rooms. Business travelers prefer locations near airports, in suburban areas, and near highways close to business contacts and transportation facilities; tourists are more likely to locate along highways and in resorts; and conferences prefer resort or downtown locations within easy reach of tourist-related services and amenities.

The group travel market is currently being pulled by two conflicting trends. Corporations are increasingly turning to incentive travel and meetings as a means of rewarding valued employees, and the overall growth in white-collar jobs is generating solid growth in the convention and meetings markets. On the other hand, technological advances in telecommunications and teleconferencing and the desire to control travel costs may ultimately reduce the demand for large conventions and out-of-town meetings.

On the construction side of the industry, hotels are becoming increasingly expensive to build and operate. This is due largely to the need for more complex systems to serve security, communications, safety and mechanical requirements. The traditional rule-of-thumb is that a hotel should achieve stabilized rate and occupancy levels by its second or third year of operation. Today, many show losses through the first three to five years of operation. As a result, the hotel market itself is becoming increasingly complex and diversified, offering different product lines for a growing number of market segments.

## B. Lodging Trends

South Padre Island has a total of 31 hotels, resorts, and motels. The 31 properties are comprised of 2,528 rooms. Over 30% of these facilities and rooms have been built in the last five years, as shown below. More than 30% of the properties have greater than 100 units. The following tables summarize the Island hotel market. Since 1970, South Padre Island has averaged the construction of 63 units per year; since 1980, a total of 56 units per year; since 1990, a total of 71 per year; and since 2000, a total of 180 per year. Since 2000, 10 budget hotels with 898 rooms have been built, averaging 90 units per hotel.

**Table VI-1: Summary of Hotels/Motels in South Padre Island**

Date of Construction	Hotels/Motels	% of Total	Rooms	% of Total
Before 1970	3	9.7%	200	7.9%
1970-1979	6	19.4%	784	31.1%
1980-1989	4	12.9%	343	13.6%
1990-1999	3	9.7%	173	6.9%
2000-2005	10	32.3%	898	35.6%
NA	5	16.1%	125	5.0%
<b>Total</b>	<b>31</b>	<b>100.0%</b>	<b>2,523</b>	<b>100.0%</b>

# of Rooms	Hotels/Motels	% of Total
Under 25	6	19.4%
25 - 49	6	19.4%
50 - 74	7	22.6%
75 - 99	2	6.5%
100 +	10	32.3%
<b>Total</b>	<b>31</b>	<b>100.0%</b>

Source: THK Associates, Inc.

**Table VI-2: South Padre Island Historical Hotel Construction**

<b>1970-1979</b>	1973 Bahia Mar Holiday Inn Sunspree Resort Padre South Resort Surf Motel 1975 Radisson Resort 1977 Tiki Condo/Hotel	789 Rooms (6)
<b>1980-1989</b>	1983 Upper Deck 1984 Motel 6 1985 Best Western Fiesta Isles 1986 Sheraton Beach Hotel	343 Rooms (4)
<b>1990-1999</b>	1993 Days Inn 1998 Ramada Limited 1999 Super 8	173 Rooms (3)
<b>2000-2005</b>	2000 Econolodge 2001 Howard Johnson Express Budget Host Flamingo Comfort Suites Travelodge 2002 Quality Inn 2003 La Quinta La Copa 2005 Casa Bella Holiday Inn Express	898 Rooms (10)

\*Not Listed - South Padre Motel, Island Inn, South Beach Inn, Fisherman's Wharf, Capri, Miramar, Laguna and the Beachside Inn

Source: South Padre Convention & Visitors Bureau & THK Associates, Inc.

**Table VI-3: South Padre Island Hotels**

<b>Hotel Name</b>	<b>Address</b>	<b>Phone</b>	<b>Rooms</b>	<b>Low Rates</b>	<b>High Rates</b>	<b>YOC</b>	<b>Amenities</b>
1 Bahia Mar Resort	6300 Padre Blvd.	956-761-1343	201	\$90	\$270	1973	swimming pool, restaurant, tennis, fitness, HC
2 Capri Motel I, II	5104 Gulf Blvd.		44			1965	
3 Comfort Suites	912 Padre Blvd.	956-772-9020	74	\$79	\$199	2001	swimming pool, meeting facilities, HC
4 Holiday Inn Sunspree Resort	100 Padre Blvd.	956-761-5401	228	\$79	\$189	1973	swimming pool, restaurant, tennis, fitness, HC
5 La Copa Inn/Suites Beach Resort	360 Padre Blvd.	956-761-6000	147			2003	swimming pool, fitness, meeting facilities, pets, HC
6 La Quinta Inn/Suites Beach Resort	7200 Padre Blvd.	956-772-7000	147	\$59	\$259	2003	fitness room, pets, HC
7 Island Inn (On the Beach)	510 Gulf Blvd.	956-761-7677	24	\$69	\$149		swimming pool, restaurant, pets, HC
8 Miramar Resort Motel	1200 Padre Blvd.		146			1965	swimming pool, restaurant, pets, HC
9 Padre South Resort	1500 Gulf Blvd.	956-761-4951	90	\$125	\$199	1973	swimming pool, HC
10 Radisson Resort	500 Padre Blvd.	956-761-6511	123	\$95	\$360	1975	swimming pool, tennis, restaurant, meeting, HC
11 Sheraton South Padre Beach Hotel	310 Padre Blvd.	800-222-4010	201	\$79	\$360	1986	swimming pool, tennis, restaurant, meeting, fitness, H
12 Surf Motel	2612 Gulf Blvd.	956-761-2831	17	\$79	\$109	1973	swimming pool, restaurant, pets, HC
13 Tiki Hotel	6608 Padre Blvd.	956-761-2694	130	\$86	\$318	1977	swimming pool, pets
14 Budget Host Flamingo Motel	3408 Padre Blvd.	956-761-3377	30	\$59	\$179	2001	swimming pool, HC
15 Best Western Fiesta Isles	5701 Padre Blvd.	956-761-4913	61	\$99	\$199	1985	swimming pool, fishing, pets, HC
16 Casa Bella Resort	5601 Padre Blvd.	956-761-7700	45	\$46	\$90	2005	swimming pool, meeting facility, pets, HC
17 Days Inn South Padre Island	3913 Padre Blvd.	956-761-7831	58	\$49	\$250	1993	swimming pool, pets, HC
18 Econo Lodge	3813 Padre Blvd.	956-761-8500	60			2000	swimming pool, pets, HC
19 Howard Johnson	1709 Padre Blvd.	956-761-5658	91	\$39	\$229	2001	swimming pool, pets, HC
20 Laguna Motel	201 West Swordfish		10			1967	
21 Beachside Inn & Suites	4500 Padre Blvd.	956-761-3924	65				swimming pool, HC
22 Motel 6	4013 Padre Blvd.	956-761-7911	52			1984	swimming pool, pets, HC
23 Ramada Limited	4109 Padre Blvd.	956-761-4097	49	\$65	\$220	1998	swimming pool, pets, HC
24 South Beach Inn	120 East Jupiter Lane	956-761-2471	12	\$36	\$119		swimming pool, pets
25 Super 8	4205 Padre Blvd.	956--761-6300	66	\$40	\$190	1999	swimming pool, HC
26 Travel Lodge	6200 Padre Blvd.	956-761-4744	149	\$49	\$300	2001	swimming pool, pets, HC
27 Fisherman's Wharf	211 West Swordfish	956-761-7818	8	\$69	\$150		boat ramp, fishing access
28 Quality Inn Hotel	901 Padre Blvd.	956-761-4884	49	\$65	\$125	2002	swimming pool, HC
29 South Padre Motel	204 West Gardenia	956-761-6701	16				swimming pool, HC
30 Holiday Inn Express	6502 Padre Blvd.	956-761-8844	106			2005	swimming pool, tennis, fitness, pets, HC
31 The Upper Deck	120 East Atol	956-761-5953	29	\$20	\$150	1983	swimming pool, pets, HC
32 Casa de Siesta	4610 Padre Blvd.	956-761-5656	12				bed & breakfast, swimming pool
33 USS Moonraker	107 E. Marisol	956-761-2206	3				bed & breakfast, jacuzzi
34 Brown Pelican Inn	207 W. Aries	956-761-2722	8				bed & breakfast, fishing
<b>TOTAL</b>			<b>2,551</b>				
<b>AVERAGE</b>			<b>75</b>	<b>\$67</b>	<b>\$210</b>	<b>1988</b>	

Source: *The Guide to South Padre Island, South Padre Convention & Visitors Bureau & THK Associates, Inc.*

### **C. Conventions on South Padre Island and Their Economic Impact**

The South Padre Island Visitors and Convention Bureau keeps very detailed information on the performance of conventions that they book, but this is not a 100% sample of conventions because some of the major hotels keep their own information on meetings they are solely responsible for booking. The South Padre Island Convention Center was built in 1992 and encompasses 45,000 sq. ft. and a study is currently underway to determine if it should be enlarged. The convention center captures approximately 15% of the conventions held on the Island including sporting events, church groups, civic groups, and others that do not like paying the rates at the hotels. The average group size is 200 to 250 attendees. Hotels on South Padre Island with convention space include The Radison with 10,000 sq. ft., Sheraton with 8,000 sq. ft., Holiday Inn with 6,000 sq. ft. and Bahia Mar with 5,000 sq. ft.

Regarding the specific performance of conventions booked by the South Padre Island Visitor and Convention Bureau, the following characterizes their performance.

In 2004, between October 2003 and September 2004, there were 166 meetings, conferences and conventions hosted on South Padre Island and 38 used the convention center. These 166 conventions generated an estimated \$18.1 million (\$410 per night) for the Town of South Padre Island and created demand for 44,199 hotel room nights that represented 5.1% of the hotel room nights available on South Padre Island.

In 2003, between October 2002 and September 2003, there were 135 meetings, conferences, and conventions hosted on South Padre Island and 35 used the convention center. These 135 conventions generated an estimated \$14.4 million (\$398 per night) for the Town of South Padre Island and created a demand for 36,157 hotel room nights that represented 4.2% of the hotel room nights available on South Padre Island.

For the year between October 2001 and September 2002, there were 158 meetings, conferences, and conventions hosted on South Padre Island. Thirty-three of the conferences utilized the convention center and surrounding hotels, while the remaining 125 conferences used hotels only. These 158 conventions, meetings, and conferences generated an estimated \$15.7 million for the Town of South Padre Island, and created approximately 40,474 (hotel) room nights. This room night demand represented 5.5% of the total hotel room nights available on South Padre Island.

For the year between October 2000 and September 2001, there were 151 meetings, conferences, and conventions hosted on South Padre Island. Thirty-six of the conferences utilized the convention center and surrounding hotels, while the remaining 115 conferences used hotels only. These 151 conventions, meeting, and conferences generated an estimated \$16.4 million for the Town of South Padre Island, and created approximately 39,390 (hotel) room nights. This nightly room demand represented 6.4% of the total hotel room nights available on South Padre Island.

For the year between October 1999 and September 2000, there were 151 meetings, conferences, and conventions hosted on South Padre Island. Thirty-six of the conferences utilized the convention center and surrounding hotels, while the remaining 115 conferences used hotels only. These 151 conventions, meetings, and conferences generated an estimated \$13.8 million for the Town of South Padre Island, and created approximately 37,726 (hotel) room nights, representing 6.3% of the total hotel room nights available. Over the last five year,

there were, on average, 152 conferences on South Padre Island, generating over \$15.2 million in visitor expenditures and demanding almost 40,000 (hotel) room nights.

**TABLE VI-4: Economic Impact of Conventions on South Padre Island**

Fiscal Year Oct. - Sept.	Total Conventions Meetings, & Conferences	Number Using Convention Center	Total Revenue Generated	Hotel Room Nights
2000	151	36	\$13,778,615	37,726
2001	151	36	\$16,401,550	39,930
2002	158	33	\$15,651,937	40,474
2003	135	35	\$14,401,960	36,157
2004	166	38	\$18,133,380	44,199
<b>AVERAGE</b>	<b>152.2</b>	<b>35.6</b>	<b>\$15,673,488</b>	<b>39,697.2</b>

*\*Estimated by THK*

Source: South Padre Island Convention & Visitors Bureau, & THK Associates, Inc

#### **D. Hotel Demand on South Padre Island**

Based on historical trends in visitation, occupancy rates, construction, revenues, visitor demographics and lodging preference, THK has projected the demand for additional hotel rooms on South Padre Island for the coming decade. The area hotel market has remained stable but very seasonal in recent years and occupancy rates continue to hold steady. However, it is felt that higher stabilized occupancy (55% to 60%) would need to be attained to justify new construction in the near term.

As shown in Table VI-5, the projected demand for new hotel rooms in the market area over the next decade will average 63 annually. This equates to a cumulative total of 682 new units over ten years. The bulk of this new demand will be generated by the visitor segment of the visitor market and should occur mostly in new full-service resort facilities, rather than adding to the limited service hotel inventory. This breakout of full service versus limited service room demand is shown in Tables VI-6 and VI-7. To accommodate the average nightly room demand of 1,591 projected for 2015, the market area will need 3,212 rooms. This conservatively assumes an average annual occupancy rate of 49%. The market looks like it could not justify new construction until approximately 2008. An exception could be made for a full service beachfront resort property, which garner better than average occupancies and rates, and better serve the more sought after up market visitors. Of the total of 682 rooms that should be added on South Padre Island over the next decade, 455 rooms should be added at full service resort hotels and 227 should be added at limited service hotels. Today, the average full service hotel at South Padre Island includes 190 rooms and this would suggest that up to 3 beachfront sites, each consistently of 2-4 acres, will be needed over the next decade to satisfy the projected demand. These will be mid to highrise structures. Limited services hotel have been averaging 90 rooms per hotel and up to 3 sites of 2 acres each will be needed to satisfy the limited service hotel market.

It would be very advantageous if some of the major luxury full service hotel chains, including Four Seasons, The Ritz, Marriot, Hilton, Hyatt, or others could be attracted to South Padre Island to establish a new standard for full service hotel development. A concerted effort should be made to inform these prospects of the tremendous opportunities existing on South Padre Island.

**TABLE VI-5: PROJECTED HOTEL DEMAND ON SOUTH PADRE ISLAND**

Year	Total Hotel Visitors/1	Nightly Room Demand			Total Nightly Room Demand	Average Occupancy	Total Hotel Room Demand	New Rooms Demanded	Cumulative Rooms Demanded
		Tourism	General Business	Group/ Convention					
2004	859,050	1,020	60	160	1,240	49%	2,530		
2005	877,949	1,044	63	158	1,266	49%	2,584	54	
2006	897,264	1,067	65	162	1,294	49%	2,640	57	
2007	917,004	1,091	66	165	1,322	49%	2,699	58	
2008	937,178	1,115	68	169	1,351	49%	2,758	59	
2009	957,796	1,139	69	173	1,381	49%	2,819	61	
2010	978,867	1,164	71	176	1,411	49%	2,881	62	
2011	1,000,402	1,190	72	180	1,443	49%	2,944	63	
2012	1,022,411	1,216	74	184	1,474	49%	3,009	65	
2013	1,044,904	1,243	75	188	1,507	49%	3,075	66	
2014	1,067,892	1,270	77	192	1,540	49%	3,143	68	
2015	1,091,386	1,298	79	197	1,574	49%	3,212	69	
Avg. Annual Increase (2005-2015)	21,344	25	2	4	31		63		

Average Capture

1\Assumes 1.9 visitors per room and a stabilized occupancy rate of 49%

Source: THK Associates, Inc.

**TABLE VI-6: PROJECTED FULL-SERVICE HOTEL DEMAND ON SOUTH PADRE ISLAND**

Year	Total Hotel Visitors/1	Nightly Room Demand			Total Nightly Room Demand	Average Occupancy	Total Hotel Room Demand	New Rooms Demanded	Cumulative Rooms Demanded
		Tourism	General Business	Group/ Convention					
2004	367,840	380	40	110	530	59%	900		
2005	381,818	399	41	110	551	59%	933	33	
2006	396,327	414	43	114	571	59%	969	69	
2007	411,387	430	44	119	593	59%	1,005	105	
2008	427,020	446	46	123	616	59%	1,044	144	
2009	443,247	463	48	128	639	59%	1,083	183	
2010	460,090	481	50	133	663	59%	1,124	224	
2011	477,574	499	52	138	689	59%	1,167	267	
2012	495,722	518	54	143	715	59%	1,212	312	
2013	514,559	538	56	148	742	59%	1,258	358	
2014	534,112	558	58	154	770	59%	1,305	405	
2015	554,408	580	60	160	799	59%	1,355	455	
Avg. Annual Increase (2005-2015)	17,259	18	2	5	25		42		

Average Capture

1\Assumes 1.9 visitors per room and a stabilized occupancy rate of 59%

Source: THK Associates, Inc.

**TABLE VI-7: PROJECTED LIMITED SERVICE HOTEL DEMAND ON SOUTH PADRE ISLAND**

Year	Total Hotel Visitors/1	Nightly Room Demand			Total Nightly Room Demand	Average Occupancy	Total Hotel Room Demand	New Rooms Demanded	Cumulative Rooms Demanded
		Tourism	General Business	Group/ Convention					
2004	497,070	670	20	40	730	44%	1,640		
2005	503,035	671	18	36	725	44%	1,649	9	
2006	509,071	679	18	37	734	44%	1,668	20	
2007	515,180	687	19	37	743	44%	1,688	20	
2008	521,362	695	19	38	752	44%	1,709	20	
2009	527,619	704	19	38	761	44%	1,729	21	
2010	533,950	712	19	38	770	44%	1,750	21	
2011	540,357	721	19	39	779	44%	1,771	21	
2012	546,842	729	20	39	789	44%	1,792	21	
2013	553,404	738	20	40	798	44%	1,814	22	
2014	560,045	747	20	40	808	44%	1,835	22	
2015	566,765	756	20	41	817	44%	1,857	22	
Avg. Annual Increase (2005-2015)	6,373	9	0	0	9		21		

Average Capture

1\Assumes 1.9 visitors per room and a stabilized occupancy rate of 44%

Source: THK Associates, Inc.

## VII. COMMERCIAL AND RETAIL MARKET ANALYSIS

Based upon the population and tourist growth and subsequent residential demand previously illustrated within South Padre Island, new commercial and retail space will be needed in the future to accommodate additional residents and visitors in the region. As much as 90% of the demand for retail space in the area comes from secondary markets, mostly tourists. As South Padre Island and the surrounding area continue to develop over the next decade, the need for more complimentary services, such as convenience retail and office space, will increase as well.

Gross retail sales were analyzed for Cameron County and South Padre Island. It can be seen in the following table that Cameron County had a total of \$3.1 billion of taxable retail sales in 2004. From 1999 - 2004, retail sales grew by over 5.0% in the region as a whole. South Padre Island totaled approximately \$80 million in retail sales in 2004. Historically, SPI has accounted for between 2.5% and 3.0% of total Cameron County retail sales. This figure has slowly declined in recent years.

**TABLE VII-1: Cameron County and South Padre Island Gross Retail Sales 1991-2004**

Year	Cameron County		Town of South Padre Island		SPI as a Percent of Cameron County
	Retail Sales	Percent Change	Retail Sales	Percent Change	
1991	\$1,675,994,989		\$48,583,392		2.9%
1992	\$1,797,075,641	7.2%	\$51,993,724	7.0%	2.9%
1993	\$1,945,742,753	8.3%	\$55,822,161	7.4%	2.9%
1994	\$2,078,801,994	6.8%	\$64,455,316	15.5%	3.1%
1995	\$1,928,108,028	-7.2%	\$61,956,078	-3.9%	3.2%
1996	\$2,019,237,643	4.7%	\$61,193,099	-1.2%	3.0%
1997	\$2,134,575,151	5.7%	\$62,058,172	1.4%	2.9%
1998	\$2,265,221,671	6.1%	\$65,681,700	5.8%	2.9%
1999	\$2,439,207,037	7.7%	\$69,850,903	6.3%	2.9%
2000	\$2,674,843,960	9.7%	\$72,443,492	3.7%	2.7%
2001	\$2,890,644,663	8.1%	\$68,554,288	-5.4%	2.4%
2002	\$2,975,604,755	2.9%	\$73,821,516	7.7%	2.5%
2003	\$3,051,280,549	2.5%	\$73,909,575	0.1%	2.4%
2004	\$3,136,000,000	2.8%	\$79,339,743	7.3%	2.5%
1990-2004	\$112,308,078	4.9%	\$2,365,873	3.8%	2.1%
1999-2004	\$139,358,593	5.2%	\$1,897,768	2.6%	1.4%

1/2004 figures estimated based on 9 months of data

Source: Texas Comptroller of Public Accounts & THK Associates, Inc.

## **A. Projected Demand for Additional Retail Space on South Padre Island**

Table VII-2 takes existing retail sales on South Padre Island and projects additional sales based on the previously analyzed and projected growth of all visitor segments and permanent residents. These growth rates, as well as an inflation factor, are translated into new retail sales, which are projected to grow to \$145 million in 2015, an annual average increase of 5.7%. Permanent residents are estimated to comprise 7.5% of these sales, overnight visitors 55% of sales, and day visitors the remaining 37.5%. Total sales in 2004 averaged \$10.10 per person per day. THK estimates that approximately 80% of permanent resident expenditures take place off of the Island.

Table VII-2: Estimated Overnight Visitation and Retail Sales Growth on South Padre Island, 2005-2015

Year	Total Resident & Visitor Days on Island	Total Resident Days on Island	Total Overnight Visitor Days on Island	Total Day Visitor Days on Island	Total Retail Sales	Estimated Permanent Resident Sales	Estimated Overnight Visitor Sales	Estimated Day Visitor Sales	Total Sales per Person per Day	Total Permanent Resident Sales per Person per Day	Total Overnight Visitor Sales per Person per Day	Total Day Visitor Sales per Person per Day
2004	7,855,585				\$79,339,743	\$5,950,481	\$43,636,859	\$29,752,404	\$10.10			
2005	8,057,010	1,039,885	2,733,120	4,284,005	<b>\$83,815,318</b>	\$6,286,149	\$46,098,425	\$31,430,744	\$10.40	\$6.05	\$16.87	\$7.34
2006	8,265,525	1,079,401	2,803,588	4,382,537	<b>\$88,563,992</b>	\$6,642,299	\$48,710,196	\$33,211,497	\$10.71	\$6.15	\$17.37	\$7.58
2007	8,479,437	1,120,418	2,875,684	4,483,335	<b>\$93,581,709</b>	\$7,018,628	\$51,469,940	\$35,093,141	\$11.04	\$6.26	\$17.90	\$7.83
2008	8,698,885	1,162,994	2,949,439	4,586,452	<b>\$98,883,712</b>	\$7,416,278	\$54,386,042	\$37,081,392	\$11.37	\$6.38	\$18.44	\$8.08
2009	8,924,012	1,207,187	3,024,884	4,691,941	<b>\$104,486,107</b>	\$7,836,458	\$57,467,359	\$39,182,290	\$11.71	\$6.49	\$19.00	\$8.35
2010	9,154,966	1,253,061	3,102,050	4,799,855	<b>\$110,405,914</b>	\$8,280,444	\$60,723,253	\$41,402,218	\$12.06	\$6.61	\$19.58	\$8.63
2011	9,391,896	1,300,677	3,180,967	4,910,252	<b>\$116,661,116</b>	\$8,749,584	\$64,163,614	\$43,747,918	\$12.42	\$6.73	\$20.17	\$8.91
2012	9,634,958	1,350,103	3,261,668	5,023,188	<b>\$123,270,714</b>	\$9,245,304	\$67,798,893	\$46,226,518	\$12.79	\$6.85	\$20.79	\$9.20
2013	9,884,311	1,401,407	3,344,184	5,138,721	<b>\$130,254,789</b>	\$9,769,109	\$71,640,134	\$48,845,546	\$13.18	\$6.97	\$21.42	\$9.51
2014	10,140,117	1,454,660	3,428,546	5,256,912	<b>\$137,634,557</b>	\$10,322,592	\$75,699,006	\$51,612,959	\$13.57	\$7.10	\$22.08	\$9.82
2015	10,402,543	1,509,937	3,514,786	5,377,821	<b>\$145,432,435</b>	\$10,907,433	\$79,987,839	\$54,537,163	\$13.98	\$7.22	\$22.76	\$10.14

**Average Annual Change 2005-2015**

<b>Numerical:</b>	<b>234,550</b>	<b>47,010</b>	<b>78,170</b>	<b>109,380</b>	<b>\$6,161,710</b>
<b>Percent:</b>	<b>2.6%</b>	<b>3.8%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>5.7%</b>

Source: THK Associates, Inc.

In Table VII-3, THK takes projected sales and breaks them down into the main store types on the Island. Almost 50% of retail sales on the Island are estimated to occur in restaurant and bar establishments.

**Table VII-3: Estimated Retail Sales and Growth by Store Type, 2005-2015**

Year	Total Sales by Store Type				
	Retail Sales	Convenience/ Grocery	Apparel & Accessories	Bar & Restaurant	Misc. & Personal Services
2004	\$79,339,743	\$11,900,961	\$7,933,974	\$37,686,378	\$21,818,429
2005	\$83,815,318	\$12,572,298	\$8,381,532	\$39,812,276	\$23,049,213
2006	\$88,563,992	\$13,284,599	\$8,856,399	\$42,067,896	\$24,355,098
2007	\$93,581,709	\$14,037,256	\$9,358,171	\$44,451,312	\$25,734,970
2008	\$98,883,712	\$14,832,557	\$9,888,371	\$46,969,763	\$27,193,021
2009	\$104,486,107	\$15,672,916	\$10,448,611	\$49,630,901	\$28,733,680
2010	\$110,405,914	\$16,560,887	\$11,040,591	\$52,442,809	\$30,361,626
2011	\$116,661,116	\$17,499,167	\$11,666,112	\$55,414,030	\$32,081,807
2012	\$123,270,714	\$18,490,607	\$12,327,071	\$58,553,589	\$33,899,446
2013	\$130,254,789	\$19,538,218	\$13,025,479	\$61,871,025	\$35,820,067
2014	\$137,634,557	\$20,645,184	\$13,763,456	\$65,376,415	\$37,849,503
2015	\$145,432,435	\$21,814,865	\$14,543,244	\$69,080,407	\$39,993,920

1/includes sales from residents and day visitors

Source: THK Associates, Inc.

## **B. Retail Competition**

An inventory of retail establishments and square footage on South Padre Island has been compiled in Tables VII-4 and VII-5. These tables highlight the lack of a full array of store types on the Island, as the number of permanent residents cannot support many retail sectors, and thus travel to Port Isabel and beyond for much of their goods and household products. Obviously, given the tourist presence, there is an inordinate supply of restaurants, t-shirt and gift shops, and convenience grocery outlets. The surge in tourist growth should continue to fuel these sectors on the Island. As shown, there are currently 156 retail establishments containing almost 400,000 square feet.

**TABLE VII-4: Retail Competition in the Town of South Padre Island**

<i>Store Type</i>	<i>Estimated Number of Stores</i>	<i>Estimated Retail Space</i>
<i>Hardware and Building Materials</i>		
1 Building Materials and Supplies	0	-
2 Hardware	1	3,500
<i>Food Stores</i>		
3 Grocery/Convenience	10	35,000
<i>Automotive</i>		
4 Tire, Battery and Accessory	1	3,200
<i>Apparel and Accessory</i>		
5 Men's Clothing	0	-
6 Women's Clothing	0	-
7 Childrens Clothing	0	-
8 Shoes	0	-
9 Other Apparel & Accessories	33	54,450
<i>Furniture and Equipment</i>		
10 Furniture	0	-
11 Home Furnishings & Accessories	2	4,600
12 Household Appliances	1	3,200
13 Radio, Television, Stereo, Computer	1	2,400
14 Records & Music	1	1,900
<i>Eating and Drinking Places</i>		
15 Restaurant	61	170,800
<i>Drug and Proprietary</i>		
16 Drug / Cosmetics	0	-
<i>Other Retail and Personal Services</i>		
17 Liquor / Wine & Spirits	4	9,600
18 Sporting Goods & Bicycle	8	22,400
19 Books & Stationary	0	-
20 Jewelry	4	4,024
21 Hobby & Specialty	5	12,500
22 Florist	1	1,530
23 Miscellaneous Retail	5	13,500
24 Personal Care Products & Services	2	3,280
25 Video Tape Rental	1	3,670
26 Dry Cleaner / Coin Laundry	1	1,200
27 Misc Personal Services	14	44,800
<i>Total Retail</i>	156	395,554

**Source: STDB Online and THK Associates, Inc.**

**TABLE VII-5: Inventory of South Padre Island Retail Establishments**

	<b>Business Name</b>	<b>Address</b>	<b>City</b>
	<b>BUILDING SUPPLIES &amp; HARDWARE</b>		
1	ISLAND ACE HARDWARE	2213 PADRE BLVD	S PADRE ISLAND
	<b>FOOD STORES</b>		
1	CIRCLE K	331 PADRE BLVD	S PADRE ISLAND
2	CIRCLE K	4112 PADRE BLVD	S PADRE ISLAND
3	CIRCLE K	2000 PADRE BLVD	S PADRE ISLAND
4	CIRCLE K	2913 PADRE BLVD	S PADRE ISLAND
5	HOP'N SHOP STORES INC	1500 PADRE BLVD	S PADRE ISLAND
6	SPEEDY PACK	3012 PADRE BLVD	S PADRE ISLAND
7	BLUE MARLIN	2912 PADRE BLVD	S PADRE ISLAND
8	ISLAND MARKET INC	5312 PADRE BLVD	S PADRE ISLAND
9	GOURMET PEDDLER	2500 PADRE BLVD	S PADRE ISLAND
10	NATURALLY'S BEACH HOUSE SUITES	5712 PADRE BLVD # 3	S PADRE ISLAND
	<b>AUTO DEALERS &amp; GAS STATIONS</b>		
1	ANY TIRE & SUPPLY CO	2100 GULF BLVD # 504	S PADRE ISLAND
	<b>APPARREL &amp; ACCESSORY STORES</b>		
1	BECKY'S PLACE	1604 PADRE BLVD	S PADRE ISLAND
2	BOBBY'S BEACH SHACK	500 PADRE BLVD	S PADRE ISLAND
3	CALYPSO	1501 PADRE BLVD	S PADRE ISLAND
4	ISLA WORLD HEADQUARTERS	2805 PADRE BLVD	S PADRE ISLAND
5	ISLAND NATIVE SURF HOUSE	700 PADRE BLVD # A	S PADRE ISLAND
6	ISLAND'S	1 PADRE BLVD	S PADRE ISLAND
7	JAMAICA ON THE BAY	104 W BAHAMA ST # C	S PADRE ISLAND
8	LA PLAYA BEACHWEAR	PO BOX 3638	S PADRE ISLAND
9	LUNASEA	410 PADRE BLVD	S PADRE ISLAND
10	OCEAN MOTION	4309 PADRE BLVD	S PADRE ISLAND
11	ON THE BEACH	2105 PADRE BLVD	S PADRE ISLAND
12	ON THE BEACH SUNWEAR	1600 PADRE BLVD	S PADRE ISLAND
13	ON THE BEACH SUNWEAR SUN RPRT		S PADRE ISLAND
14	RICA CLOTHING	2805 PADRE BLVD # B1	S PADRE ISLAND
15	T-SHIRT WAREHOUSE INC	3800 PADRE BLVD	S PADRE ISLAND
16	TATE'S	700 PADRE BLVD	S PADRE ISLAND
17	M & M BEACH WEAR	3500 PADRE BLVD	S PADRE ISLAND
18	PARADISE BEACHWARE	2216 PADRE BLVD	S PADRE ISLAND
19	BARBARA'S	2201 PADRE BLVD	S PADRE ISLAND
20	BEACH CLUB	1004 PADRE BLVD	S PADRE ISLAND
21	FOX BEACHWEAR	1200 PADRE BLVD	S PADRE ISLAND
22	JEWELRY ZONE	1004 PADRE BLVD	S PADRE ISLAND
23	MIRAGE RESORT WEAR	4200 PADRE BLVD	S PADRE ISLAND
24	USA BEACHWEAR	3500 PADRE BLVD	S PADRE ISLAND
25	WINGS BEACHWEAR	904 PADRE BLVD	S PADRE ISLAND
26	LA ISLA BONITA	2812 PADRE BLVD	S PADRE ISLAND
27	MANGO BAY BEACHWEAR	2013 PADRE BLVD	S PADRE ISLAND
28	ONE LOVE	2404 PADRE BLVD	S PADRE ISLAND
29	PALACE	140 PADRE BLVD	S PADRE ISLAND
30	PALACE	1001 PADRE BLVD	S PADRE ISLAND
31	QUE PADRE	910 PADRE BLVD	S PADRE ISLAND
32	SPI BEACH CLUB	500 PADRE BLVD	S PADRE ISLAND
33	SPLASH BEACHWEAR	1200 PADRE BLVD	S PADRE ISLAND
	<b>FURNITURE &amp; HOME FURNISHINGS</b>		
1	PATIO DESIGN	410 PADRE BLVD	S PADRE ISLAND
2	SUNSET BLINDS	5009 PADRE BLVD # 16	S PADRE ISLAND
3	J & L APPLIANCE	105 W POLARIS DR	S PADRE ISLAND
4	AUTOMATED PROFESSIONAL SVC	120 E AIRES DR # B	S PADRE ISLAND
5	LONE STAR RECORDS	2600 PADRE BLVD # U	S PADRE ISLAND
	<b>EATING &amp; DRINKING</b>		
1	BASKIN-ROBBINS	2000 PADRE BLVD	S PADRE ISLAND
2	DAIRY QUEEN	2401 PADRE BLVD	S PADRE ISLAND
3	TCBY	410 PADRE BLVD # M	S PADRE ISLAND
4	BEACHSIDE BAR & GRILL	310 PADRE BLVD	S PADRE ISLAND
5	BEN & JACK ISLAND SHACK	3508 PADRE BLVD	S PADRE ISLAND
6	BLACKBEARDS' RESTAURANT	103 E SATURN BLVD	S PADRE ISLAND

7	BUBBA'S BAR B QUE	1313 PADRE BLVD	S PADRE ISLAND
8	CAPTAIN RANDY ROGERS	1 PADRE BLVD	S PADRE ISLAND
9	COAST TO COAST BEACHWEAR	410 PADRE BLVD	S PADRE ISLAND
10	COSTA RICA FOOD & SPIRITS INC	7350 PADRE BLVD	S PADRE ISLAND
11	D PIZZA JOINT	2413 PADRE BLVD	S PADRE ISLAND
12	DE LUNA BAR & GRILL	201 W CORRAL ST	S PADRE ISLAND
13	DENNY'S	1200 PADRE BLVD	S PADRE ISLAND
14	DOMINO'S PIZZA	3401 PADRE BLVD	S PADRE ISLAND
15	DRAM SHOP SCHOOL	216 W LANTANA ST	S PADRE ISLAND
16	GRAPEVINE CAFE	100 E SWORDFISH ST	S PADRE ISLAND
17	GULF COAST OYSTER BAR	3409 PADRE BLVD	S PADRE ISLAND
18	ISLAND SHACK DRIVE THRU	3508 PADRE BLVD	S PADRE ISLAND
19	JAKE'S RESTAURANT INC	2500 PADRE BLVD	S PADRE ISLAND
20	JESSE'S CANTINA & RESTAURANT	2700 PADRE BLVD	S PADRE ISLAND
21	JOSEPH'S RESTAURANT	1500 GULF BLVD	S PADRE ISLAND
22	KELLY'S GRILL	101 E MORNINGSIDE DR	S PADRE ISLAND
23	KFC	3201 PADRE BLVD	S PADRE ISLAND
24	KOHNAMI RESTAURANT	410 PADRE BLVD # O	S PADRE ISLAND
25	LA JAIBA SEAFOOD RESTAURANT	2001 PADRE BLVD	S PADRE ISLAND
26	LANTERN GRILL	3109 PADRE BLVD	S PADRE ISLAND
27	LOUIE'S BACKYARD	2305 LAGUNA DR	S PADRE ISLAND
28	MC DONALD'S	908 PADRE BLVD	S PADRE ISLAND
29	PALM STREET PIER	204 W PALM ST	S PADRE ISLAND
30	PALMETTO INN RESTAURANT	1817 PADRE BLVD	S PADRE ISLAND
31	PANTRY & GRILL ROOM	700 PADRE BLVD	S PADRE ISLAND
32	PAULINO'S ITALIAN RESTAURANT	4600 PADRE BLVD	S PADRE ISLAND
33	PIZZA EXPRESS	3112 PADRE BLVD	S PADRE ISLAND
34	PIZZA HUT	1905 PADRE BLVD	S PADRE ISLAND
35	ROVAN'S RESTAURANT	5300 PADRE BLVD	S PADRE ISLAND
36	SALTY DOG CAFE	2000 GULF BLVD	S PADRE ISLAND
37	SCAMPI'S RESTAURANT	206 W AIRES DR	S PADRE ISLAND
38	SEA RANCH RESTAURANT	1 PADRE BLVD	S PADRE ISLAND
39	SHRIMP HAUS	90 PADRE BLVD	S PADRE ISLAND
40	SUBWAY SANDWICHES & SALADS	2100 PADRE BLVD # 5	S PADRE ISLAND
41	TACO BELL	2000 PADRE BLVD	S PADRE ISLAND
42	TED'S RESTAURANT	5717 PADRE BLVD	S PADRE ISLAND
43	TOM & JERRY'S INC	3212 PADRE BLVD	S PADRE ISLAND
44	WHATABURGER	105 W RETAMA ST	S PADRE ISLAND
45	WINDJAMMERS BEACH FRONT CAFE	500 PADRE BLVD	S PADRE ISLAND
46	PSYCHADELI	2500 PADRE BLVD	S PADRE ISLAND
47	JAKE'S CATERING	2500 PADRE BLVD	S PADRE ISLAND
48	SHRIMP HAUS RESTAURANT	90 PARK RD	S PADRE ISLAND
49	SALTY DOGS	1 PADRE BLVD	S PADRE ISLAND
50	YUMMIES COFFEE SHACK	708 PADRE BLVD	S PADRE ISLAND
51	202 BAYSIDE BAR & GRILL	202 W WHITING ST	S PADRE ISLAND
52	BIGO'S BAR & GRILL	4215 PADRE BLVD	S PADRE ISLAND
53	BOOMERANG BILLY'S	2612 GULF BLVD	S PADRE ISLAND
54	ISLAND OASIS CAFE & LOUNGE	2412 PADRE BLVD	S PADRE ISLAND
55	KELLY'S IRISH PUB	101 E MORNINGSIDE DR	S PADRE ISLAND
56	CORAL REEF LOUNGE	5401 PADRE BLVD	S PADRE ISLAND
57	DOLPHIN COVE OYSTER BAR	CHANNEL VIEW DR	S PADRE ISLAND
58	WAHOO SALOON & BAY SAILING	201 W PIKE ST	S PADRE ISLAND
59	AMBERJACK'S BAYSIDE BAR-GRILL	209 W AMBERJACK ST	S PADRE ISLAND
60	COCONUTS	2301 LAGUNA DR	S PADRE ISLAND
61	TEQUILA SUNSET	200 W PIKE ST	S PADRE ISLAND

**MISCELLANEOUS RETAIL**

1	BEN'S LIQUOR FINE WINE	4000 PADRE BLVD	S PADRE ISLAND
2	BEN'S LIQUOR FINE WINE	1004 PADRE BLVD # E	S PADRE ISLAND
3	BEN'S LIQUORS	410 PADRE BLVD	S PADRE ISLAND
4	FELDMAN'S VALLEY WIDE INC	1514 PADRE BLVD	S PADRE ISLAND
5	WHISKERS & THINGS	5800 PADRE BLVD # 105	S PADRE ISLAND
6	BOATYARD WINDSURFING & SLBTS	5514 PADRE BLVD	S PADRE ISLAND
7	JENKIN DESIGN INC	128 E OLEANDER ST	S PADRE ISLAND
8	SURF'S UP	4309 PADRE BLVD	S PADRE ISLAND
9	UNIVERSITY SPORTS	102 E SWORDFISH ST	S PADRE ISLAND
10	JETTIE'S BAIT SAND	PADRE BLVD HIGHWAY 100	S PADRE ISLAND
11	SEA RANCH BAIT & TACKLE	1 PADRE BLVD	S PADRE ISLAND
12	AMERICAN DIVING	1 PADRE BLVD # 104	S PADRE ISLAND
13	JEWELS OF THE LAND	5009 PADRE BLVD	S PADRE ISLAND

14	K'S JEWELRY	2500 PADRE BLVD # 6B	S PADRE ISLAND
15	KAREN'S CUSTOM TOE RINGS	1314 PADRE BLVD	S PADRE ISLAND
16	OCEAN GYPSY	104 E HIBISCUS ST	S PADRE ISLAND
17	B & S KITES	2812 PADRE BLVD	S PADRE ISLAND
18	BEACH BOUND	100 PADRE BLVD	S PADRE ISLAND
19	CAT HOUSE	3812 PADRE BLVD	S PADRE ISLAND
20	ODYSSEY-GIFTS OF DISTINCTION	218 W LANTANA ST	S PADRE ISLAND
21	SCHOR'S	700 PADRE BLVD # C	S PADRE ISLAND
22	SHIP SHAPE	5212 PADRE BLVD	S PADRE ISLAND
23	SUNNIES AT THE RADISSON	500 PADRE BLVD	S PADRE ISLAND
24	BEACH MANIA	2809 PADRE BLVD	S PADRE ISLAND
25	SHELL WORLD	2311 PADRE BLVD	S PADRE ISLAND
26	NEPTUNE'S REEF	2500 PADRE BLVD	S PADRE ISLAND
27	MERLE NORMAN COSMETICS	1004 PADRE BLVD # Q1	S PADRE ISLAND
28	ISLAND SPORTS CARDS	5009 PADRE BLVD	S PADRE ISLAND

**PERSONAL SERVICES**

1	LA VINA'S NATURAL NAIL CARE	5009 PADRE BLVD	S PADRE ISLAND
2	NAILS BY BETTY RUTH	5009 POLARIS BLVD # 7	S PADRE ISLAND
3	TND NAIL SALON	1004 PADRE BLVD # P1	S PADRE ISLAND
4	BLUE HAIRING	5800 PADRE BLVD # 102	S PADRE ISLAND
5	ISLAND HAIR GALLERY	2600 PADRE BLVD	S PADRE ISLAND
6	SUNCHASE HAIR DESIGNERS	1004 PADRE BLVD	S PADRE ISLAND
7	UNUM DAY SPA	5009 PADRE BLVD # 8	S PADRE ISLAND
8	ABOUT TIME FOR MASSAGE	5800 PADRE BLVD # 102	S PADRE ISLAND
9	MASSAGE & HEALING ARTS CTR	2100 PADRE BLVD	S PADRE ISLAND
10	ACE TATTOOS & BODY PIERCING	1600 PADRE BLVD	S PADRE ISLAND
11	INKREDIBLE TATTOO	2301 PADRE BLVD	S PADRE ISLAND
12	PADRE ISLAND TATTOO	1817 PADRE BLVD	S PADRE ISLAND
13	PEGGY'S TEMPORARY & PERMANENT	2412 PADRE BLVD	S PADRE ISLAND
14	LET'S GET PERSONAL	2600 PADRE BLVD	S PADRE ISLAND
15	CACTUS FLOWER	3009 PADRE BLVD	S PADRE ISLAND
16	JAKE'S LAUNDRY	4604 PADRE BLVD	S PADRE ISLAND

**VIDEO RENTAL**

1	BLOCKBUSTER VIDEO	410 PADRE BLVD # L	S PADRE ISLAND
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Source: STDB Online, & THK Associates, Inc.

### **C. Retail Development Potentials at South Padre Island**

The market potentials today, and in the future, are a product of the supply and demand forces affecting South Padre Island and its trade area. The retail competition in the trade area represents the supply side of the market. The size, market acceptance, and proximity of competitive projects dictate the capture rate of retail demand that any new retail development can expect, and the median family income, expenditure patterns, and sales per square foot of GLA ultimately determine the retail space that can be supported on the Island.

The Island offers a growing population and household base, an enormous secondary market from visitors and travelers, and immediate access to beach traffic.

Table VII-6 details sales and square footage demanded on South Padre Island by retail category, through 2015. Table VII-6 demonstrates that South Padre Island's retail commercial market is reasonably in balance now with almost 400,000 sq. ft. of space and 154 retail establishments, including approximately 40,000 sq. ft. of convenience and specialty food space, 55,000 sq. ft. of apparel space, 156,000 sq. ft. for restaurant and bars, and 144,000 sq. ft. for miscellaneous retail and personal service stores. Over the next decade, approximately 280,000 sq. ft. of new retail commercial space needs to be added on South Padre Island at a pace of almost 30,000 sq. ft. per year.

If this retail commercial space is constructed at conventional commercial building coverage ratios, it will require approximately 30 more acres of land devoted to retail and this construction will include 15 new convenience and specialty food stores, 10 new apparel stores, 25 new restaurants, and 65, miscellaneous retail and personal service establishment, or a total of 115 new retail commercial stores. It would be very exciting if the community of South Padre Island would take these prospects and complement them with community administrative and recreational facilities, arts and craft galleries, and other uses to create a special mixed-use urban place and town center. This town center should be located at "Main Street and Main Street" and may be located where it could link the "bay to the breakers". Housing both rental and ownership could be located above ground floor retail and office and flex space could also be incorporated into the concept. The following illustrates critical features that should be incorporated to insure a successful town center for South Padre Island.

#### **Key Attributes for a Successful Retail Town Center for South Padre Island**

- Unique Location
- Excellent Visibility to Traffic
- Easily Accessible
- Adequate Parking
- Entertaining Lifestyle Environment
- Create a Memorable Experience
- Project a Sense of Community
- Convenient to Residents and Visitors
- Wide Selection of Goods and Services
- Value in Products Offered
- Quality Goods and Products
- Synergistic Mix of Tenants and Land Uses
- Service Oriented Stores
- Attention to the Delivery of Products
- Cluster Complementary Tenant Types

Maximize Pedestrian Circulation, and Maximize Tenant Exposure  
Contextual Architecture and Create a Special Sense of Place  
Shared Parking for Residents and Businesses  
Exceptional Landscaping and Hardscapes with Fountains and Water Features  
Variety of Architectural Facades with Spires  
Large Public Spaces Featuring a Town Square  
Develop Community Good Will and Subsidize and Advance Public Functions  
Encourages Symphonies, Artesans, and Craftsman Displays  
Incorporated Play Areas with Children Programs  
Promote Sidewalk Cafes, Kiosks, and Street Merchants  
Create a Common Marketing Fund  
Establish Design Guidelines and Architectural Controls  
Maximize Visitation by Promoting Numerous Special Events and Architects  
Facilitate a Mercado, Farmers Market and Craft and Art Fairs

Table VII-6: Projected Retail Demand by Store Type in South Padre Island, 2005-2015

Category/Store Type	2005					2010					2015					
	Total Sales	Sales per Square Foot	Square Footage Demand	Square Footage Supply	Net Sq. Ft. Demand	Total Sales	Sales per Square Foot	Square Footage Demand	Square Footage Supply	Net Sq. Ft. Demand	Total Sales	Sales per Square Foot	Square Footage Demand	Square Footage Supply	Net Sq. Ft. Demand	Total Acreage Demand
Convenience/Grocery	\$12,572,298	\$310	40,556	35,000	5,556	\$16,560,887	\$310	53,422	35,000	18,422	\$21,814,865	\$310	70,371	35,000	35,371	3.7
Accessory & Apparel	\$8,381,532	\$180	46,564	54,450	(7,886)	\$11,040,591	\$180	61,337	54,450	6,887	\$14,543,244	\$180	80,796	54,450	26,346	2.7
Restaurant/Bar	\$39,812,276	\$255	156,127	170,800	(14,673)	\$52,442,809	\$255	205,658	170,800	34,858	\$69,080,407	\$255	270,904	170,800	100,104	10.4
Misc. & Personal Services	\$23,049,213	\$160	144,058	132,574	11,484	\$30,361,626	\$160	189,760	132,574	57,186	\$39,993,920	\$160	249,962	132,574	117,388	12.2
<b>Total</b>	<b>\$83,815,318</b>		<b>387,304</b>	<b>392,824</b>	<b>(5,520)</b>	<b>\$110,405,914</b>		<b>510,177</b>	<b>392,824</b>	<b>117,353</b>	<b>\$145,432,435</b>		<b>672,032</b>	<b>392,824</b>	<b>279,208</b>	<b>29.1</b>

Source: THK Associates, Inc.

#### **D. Office and Flex Space Market Trends on South Padre Island**

A good portion of land should be set aside for commercial uses, all of which will likely come in the form of small, multi-tenant office space. As the local market evolves and continues to expand, demand will be generated for office space, and areas on South Padre Island, in terms of access/visibility, location, surroundings and available acreage, are extremely well positioned to capture a solid percentage of that demand.

Table VII-7 offers a snapshot of the general state of the office market on the Island. As shown, vacancies are low for Class A and Class B space, but relatively high for Class C space. Overall, lease rates range from \$4 - \$16 per square foot. It is estimated that there is currently approximately 275,000 square feet of office space on South Padre Island, all of which is not housed traditionally in stand-alone buildings, but occurs within mixed-use facilities, and in the many resorts and hotels.

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**Table VII-7: Estimated Office Market Characteristics  
in South Padre Island, 2005**

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	Estimated Lease Rates		Estimated Vacancy
	Low*	High*	
Class A	\$11.00	\$16.00	7.5%
Class B	\$8.00	\$11.00	10.0%
Class C	\$4.00	\$8.00	20.0%

\* Rent Per Square Foot Per Year

Source: THK Associates, Inc.

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## E. Demand for Office and Flex Space Absorption

Table VII-8 illustrates the estimated percentages of new employment that will be housed in office and flex buildings for each major employment category. Some industries are more likely than others to house employees in office and flex space rather than in industrial buildings, retail facilities, schools, or public buildings. Those industries projected to generate the bulk of the new jobs and their respective occupational breakdowns make it clear that employment growth in South Padre Island during the next decade will include a sizeable number of service oriented, white collar occupations.

In Table VII-9, office/flex employment percentages are applied to the projected change in employment by industry in South Padre Island in order to project the total growth in office/flex employment over the next decade. As shown, it's estimated that total office/flex employment will increase by an average of approximately 56 per year over the next decade. Services employment will account for an average of approximately 41 new office/flex employees annually, or 73% of the total growth in office/flex employment.

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**TABLE VII-8: Estimated Proportion of New Employment  
Housed in Commercial Office/Flex Space**

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Industry	Proportion of New Employment Housed in Office Space
Mining	15%
Construction	10%
Manufacturing	15%
Transportation, Communication, Public Utilities	25%
Wholesale Trade	15%
Retail Trade	20%
Finance, Insurance, Real Estate	63%
Services	30%
Government	20%

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Source: THK Associates, Inc.

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**TABLE VII-9: PROJECTED ANNUAL CHANGE IN OFFICE/FLEX EMPLOYMENT IN SOUTH PADRE ISLAND, 2005-2015**

Industry	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Annual Average Change
Mining	0	0	0	0	0	0	0	0	0	0	0	0
Construction	58	60	62	65	68	70	73	76	79	82	85	3
Manufacturing	3	3	3	3	3	3	3	3	3	3	3	0
T & U*	8	8	8	8	9	9	9	9	9	9	9	0
Wholesale Trade	8	8	9	9	9	9	9	9	9	9	9	0
Retail Trade	200	206	212	219	225	232	239	246	253	261	269	7
FIRE**	107	110	113	116	119	123	126	130	133	137	141	3
Services	1,075	1,110	1,147	1,185	1,224	1,264	1,306	1,349	1,394	1,440	1,487	41
Government	57	58	60	61	63	64	66	68	69	71	73	2
Total Office/Flex Employment	1,517	1,565	1,615	1,666	1,720	1,774	1,831	1,890	1,950	2,012	2,077	56

\* Transportation & Utilities

\*\* Finance, Insurance, and Real Estate

Source: THK Associates, Inc.

Two important trends affecting the demand for office/flex space are the increasing use of sophisticated electronic business machines and the adoption of open space floorplans that can be adapted rapidly as space needs change. New technology will enable firms to do more work with fewer employees. Routine filing and record keeping will be handled automatically, reducing the demand for unskilled office help. On the other hand, firms will need space for expansions to accommodate the growing use of electronic equipment. Consequently, while the actual space available for each office/flex worker will decline, the average number of square feet per office/flex employee will increase.

Recent research by the Urban Land Institute indicates the national average square footage per metropolitan office/flex employee increased from 195 square feet to 210 square feet, primarily because of increased equipment needs. By multiplying the standard of 210 square feet per office/flex employee with the annual growth in new office/flex employment, the annual demand for new office/flex space can be estimated. Given that growth in office/flex employment will average 56 workers per year, there should be an average annual demand for approximately 11,580 square feet of office space from 2005 to 2015.

**TABLE VII-10: PROJECTED OFFICE/FLEX SPACE DEMAND IN  
SOUTH PADRE ISLAND, 2005-2015**

Year	Total Office/Flex Employment	Annual Change Office/Flex Employment	Projected Annual Occupied Office/ Flex Space Demand
2005	1,517	47	9,827
2006	1,565	48	10,145
2007	1,615	50	10,473
2008	1,666	51	10,812
2009	1,720	53	11,162
2010	1,774	55	11,524
2011	1,831	57	11,897
2012	1,890	58	12,282
2013	1,950	60	12,680
2014	2,012	62	13,091
2015	2,077	64	13,516
Annual Average 2005-2015	56		11,580

Note: Square footage/office/flex worker: 210

Source: THK Associates, Inc.

## **F. Potential for Office/Flex Development on South Padre Island**

Table VII-11 projects office/flex demand and acreage absorption for South Padre Island. It should also be noted that the Island is well positioned to attract existing users seeking an opportunity to upgrade their space and location within the market area. This likely market churn is not factored into the potentials shown in Table VII-7.

Using a F.A.R. of 22%, the cumulative demand of 117,580 square feet of office/flex space, through 2015, could be accommodated on 12.9 acres.

**TABLE VII-11: OFFICE/FLEX SPACE DEMAND AT SOUTH PADRE ISLAND, 2005-2015**

Year	Estimated Office/Flex Space Demand	Total Office/Flex Demand at South Padre	Cumulative Demand at South Padre	Office/Flex Demands at the South Padre island	
				Acres/1	Total/2
				Annual	Cumulative
2005	9,827	0	0	0.0	0.0
2006	10,145	10,150	10,150	1.1	1.1
2007	10,473	10,470	20,620	1.1	2.3
2008	10,812	10,810	31,430	1.2	3.4
2009	11,162	11,160	42,590	1.2	4.7
2010	11,524	11,520	54,110	1.3	5.9
2011	11,897	11,900	66,010	1.3	7.2
2012	12,282	12,280	78,290	1.3	8.6
2013	12,680	12,680	90,970	1.4	10.0
2014	13,091	13,090	104,060	1.4	11.4
2015	13,516	13,520	117,580	1.5	12.9
<b>Average</b>		<b>11,760</b>		<b>1.3</b>	<b>1.3</b>

1\ F.A.R. = 0.22

2\ Allows for 5% speculative/expansion space

Source: THK Associates, Inc.

## VIII. GOLF COURSE MARKET ANALYSIS

### A. Texas Golfing Trends

The table below presents a profile of golfing trends at the state level. When comparing Texas golfing trends to those for the rest of the west south central states and the nation, a number of significant differences appear.

- Golf participation is lower in Texas than in the west south central states, and lower than the nation as a whole.
- There is a much higher percentage of private golfers in Texas.
- The average annual rounds played per golfer for Texas is higher than the national average.

**Table VIII-1: Demographic Estimates for Texas, West South Central and United States Golfers**

<b>Category</b>	<b>Texas</b>	<b>West South Central</b>	<b>United States</b>
Golf Participation Rate*	7.8%	8.4%	11.9%
Female % of Golfers	20.5%	18.0%	23.7%
Private % of Golfers	25.1%	22.3%	19.2%
Average Age (Years)	37.1	38.8	41.1
Median Household Income	\$73,740	\$67,055	\$79,000
Number of Golf Courses	994	1,711	17,928
Average Rounds Played Annually	22.1	23.4	18.1

\* Percent of Population above the age of 5

Source: National Golf Foundation and THK Associates, Inc.

## **B. Supply Characteristics of Golf Courses in the South Padre Island Market Area**

In order to gain an understanding of the current operating conditions of the local golf industry, all courses in the Cameron County market area were examined. In June 2005, a comprehensive profile of the golf courses in the market area was compiled. Twelve golf courses were surveyed to obtain information concerning the critical elements of their operations.

The ownership and operation of golf courses in the region are additional considerations that are critical in determining which type of golf course is in demand. Courses are classified in four categories, each of which is defined as follows.

*Daily Fee Golf Courses.* THK Associates has defined a daily fee golf course as one that is privately owned but open for public play.

*Municipal Golf Courses.* A municipal golf course is defined as a course that is owned or operated by a government entity and is open to the general public.

*Private Golf Courses.* There are two operating characteristics unique to a truly private golf facility. First, it is owned privately either by individuals or corporations. Secondly, membership in the club is limited and there are typically large initiation fees or property purchases required to join.

*Semi-private Golf Courses.* These are similar to private country clubs in that memberships are offered. There is, however, limited public play allowed on the golf course.

Two further distinctions to be made in assessing the current facilities in the region are the playability and character of the course. Is it an 18-hole facility or a 9-hole facility? Is it a Par 3 or executive golf course? The definitions for par and the common designations for golf courses are shown below.

*Par* -- the par for a hole is defined by the number of strokes needed to reach the green from the tee. Once the green is reached, it is assumed that it will take two strokes to finish the hole. Thus, a par 3 course will consist completely of greens which can be reached with one stroke from the tee.

*Regulation* -- regulation golf courses are defined by the parameters set forth from the first golf course construction in Scotland; this set the standards for identifying what is considered regulation in a golf course. The par for a regulation golf course is between 69 and 73 with the norm considered to be 72. This also presumes that yardage from the back tees will approach 7,000 yards.

*Executive* -- an executive course is typically a course with par of 68 or less. It is an abbreviated course that will likely include fewer holes of par 4 or par 5 length.

*Par 3* -- as the name suggests, par 3 courses consist of all holes being par 3's; thus, an 18-hole par 3 course has a total par of 54.

Table VIII-3 displays each of the golf courses in the market area by type of facility, length, and number of holes. Each of the 12 courses is listed separately in Table VIII-4. No other courses were found to be in the construction or planning stages in the regional environs.

**Table VIII-2: Date of Construction for Golf Courses in the  
South Padre Environs**

<b>Date of Construction</b>	<b>Number of Courses</b>	<b>Percent</b>	<b>Number of Holes</b>	<b>Percent</b>
Before 1940	1	8.3%	18	9.1%
1940 - 1949	0	0.0%	0	0.0%
1950 - 1959	1	8.3%	18	9.1%
1960 - 1969	1	8.3%	18	9.1%
1970 - 1979	2	16.7%	36	18.2%
1980 - 1989	6	50.0%	90	45.5%
1990 - 1994	0	0.0%	0	0.0%
1995 - 1999	1	8.3%	18	9.1%
2000 - 2004	0	0.0%	0	0.0%
<b>Total</b>	<b>12</b>	<b>100.0%</b>	<b>198</b>	<b>100.0%</b>

Source: THK Associates, Inc.

**Table VIII-3: Type of Golf Courses by Length and Operation in the South Padre Environs, 2005**

<b>Type</b>	<b>Regulation</b>	<b>Executive</b>	<b>Par 3</b>	<b>Total Number of Courses</b>	<b>Percent</b>	<b>Number of Holes</b>	<b>Percent</b>
PublicResort	1				0%		
9 Holes			2	2	17%	18	9%
18 Holes	8	1		9	75%	162	82%
27 Holes				-	0%	-	0%
36 Holes				-	0%	-	0%
<b>Total</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>12</b>	<b>100%</b>	<b>180</b>	<b>91%</b>
<b>Total Courses</b>							
9 Holes	-	-	2	2	17%	18	9%
18 Holes	9	1	-	10	83%	180	91%
27 Holes	-	-	-	-	0%	-	0%
36 Holes	-	-	-	-	0%	-	0%
<b>Total</b>	<b>9</b>	<b>1</b>	<b>2</b>	<b>12</b>	<b>100%</b>	<b>198</b>	<b>100%</b>
<b>Total Holes</b>							
9 Holes	-	-	18	18			
18 Holes	162	18	-	180			
27 Holes	-	-	-	-			
36 Holes	-	-	-	-			
<b>Total</b>	<b>162</b>	<b>18</b>	<b>18</b>	<b>198</b>			

Source: THK Associates, Inc.

**Table VIII-4: Golf Courses in the South Padre Island Regional Environs**

Golf Course Address City	# of Holes Type Year Built	Womens Par Mens Par Length		Yardage	Course Rating	Slope Fees	Rounds
1 Brownsville Golf & Recreation Center 1800 W. San Marcelo Blvd Brownsville, TX 78526	18	70	Forward	4,846	67.3	107	
	Public	70	Middle	5,226	65.2	103 \$12/\$15 for 18 holes (weekday/weekend)	
	1977	Regulation	Back	6,049	69.3	113	
2 Ft. Brown Municipal Golf Course 300 River Levee Rd. Brownsville, TX 78520	18	72	Forward	4,803	65.0	108 \$10 for 18 holes (weekday/weekend)	65,000
	Public	72	Middle	6,072	67.0	108 \$10 for 9 holes (weekday/weekend)	
	1958	Regulation	Back				
3 River Bend Resort & Country Club Route 8 Brownsville, TX 78520	18	72	Forward	5,067	68.6	110 \$29 for 18 holes (weekday/weekend)	30,000
	Resort	72	Middle	6,276	71.0	115	
	1987	Regulation	Back	6,735	72.6	119	
4 Valley International Country Club FM 802 & Expy 77 Brownsville, TX 78520	18	71	Forward	5,979	69.7	116.0 \$18 for 18 holes (weekday/weekend)	35,000
	semi-private	70	Middle	6,315	70.3	120.0 \$18 for 9 holes (weekday/weekend)	
	1984	Regulation	Back	6,847	72.3	125.0	
5 Rancho Viejo Resort & Country Club 1 Rancho Viejo Dr. Rancho Viejo, TX 78575	18	73	Forward	6,150	75.5	131 \$64 for 18 holes (weekday/weekend)	50,000
	Resort	70	Middle	6,273	71.2	122 \$37 for 9 holes (weekday/weekend)	
	1971	Regulation	Back	6,894	73.7	129	
6 Harlingen Country Club 5500 El Camino Real Harlingen, TX 78552	18	72	Forward	5,625	76.9	130 Weekdays \$75	35,000
	Private	72	Middle	6,261	70.4	122 Weekends \$85	
	1968	Regulation	Back	6,541	71.6	126	
7 Sunshine Country Club Estates 4110 N. Hwy 77 - 7000 Harlingen, TX 78552	9	27	Forward	1,033	--	-- HOA fees -- guests \$5	n/a
	Private	27	Middle	1,033	--	--	
	1981	Par 3	Back	--	--	--	
8 Tony Butler Golf Course 2640 S. M Street Harlingen, TX 78552	18	71	Forward	5,123	69.1	112 \$23 for 18 holes (weekday/weekend)	58,000
	Public	71	Middle	5,837	66.7	106 \$17 for 9 holes (weekday/weekend)	
	1929	Regulation	Back	6,320	69.1	113	
9 Treasure Hills Country Club 3205 N. Augusta National Dr. Harlingen, TX 78550	18	72	Forward	5,230	71.0	118 \$41.14/46.55 for 18 holes (weekday/weekend)	20,000
	Semi-private	72	Middle	6,424	71.0	119	
	1986	Regulation	Back	6,960	73.5	124	
10 Jim Paul Golf Course 950 S. Garcia St. Port Isabel, TX 78578	18	54	Forward	1,405	--	-- \$12 for 18 holes (weekday/weekend)	
	public	54	Middle	1,405	--	--	
	1984	Executive	Back	--	--	--	
11 Cottonwood Creek Golf Course 1001 S. Ed Carey Dr. Harlingen, TX 78552	9	27	Forward	1,060	--	-- \$10 for 9 holes (weekday/weekend)	
	Public	27	Middle	1,245	--	--	
	1985	Par 3	Back	--	--	--	
12 South Padre Island Golf Club 1 Golf House Rd Laguna Vista, TX 78578	18	72	Forward	5,406	66.0	108 \$55 for 18 holes (weekday/weekend)	34,000
	Public	72	Middle	6,291	69.9	123 \$33 for 9 holes (weekday/weekend)	
	1997	Regulation	Back	6,931	73.0	130	

### **C. Golf Demand on South Padre Island**

In order to accurately gauge demand, the participation rate by age group needs to be established for the market area. Accordingly, THK applies the estimated participation rates for the primary trade area to the area demographics. To further evaluate participation rates, golfers have been designated as either core or occasional players. Core players play eight or more 18-hole rounds each year.

The overall golf participation rate for those aged five and above in the United States is 11.9%. The golf participation rate for males is 19.8% and for females 4.5%. The west south central states have an overall golf participation rate of 8.4%, with the male participation rate being 13.3%, and the female participation rate being 3.6%. In Texas, the overall golf participation rate is 7.8%; the male participation in the state is 19.9% compared to 7.0% for females.

Men in Texas aged 30-39 have the highest golf participation rate of 16.4% followed by the 40-49 age group at 13.3%. Men between the ages 5 and 11 have the lowest rate at 4.8%. Females between 30-39 have the highest participation rate at 4.7% followed by the 40-49 group at 3.9%. As with males, the 5-11 age group of females has the lowest rate at 1.2%. Table VIII-5 displays the participation rates by age and gender for the United States, the west south central states and Texas.

The age and gender distribution for South Padre Island is shown in Table VIII-6 for the years 2000-2015. In 2000, the largest age group for males was the 40-49 age group. The largest female age group also was the 40-49 group. Also, notable is the large population segment currently in the 50-59 age group.

The next step in the analysis is to apply the trade area participation rates to the South Padre Island population using the age and gender breakdowns. For example, in 2005, there will be 171 male residents between the age of 18 and 29 in the primary trade area (see Table VIII-6). As shown in Table VIII-5, 20.0% of this population group participates in golf,  $165 \times 12.9\% = 22$  male golfers between the ages of 18 and 29. By repeating this process for each age and gender group, the number of golfers is calculated. Totaling these numbers results in the total number of golfers in the primary market area. This is the main determinant of golf demand. Again, the golfers have been designated as either core or occasional players.

This exercise is important because the primary indicators for golf participation are age and gender, as they are for all recreational activities. Any variations in the demographic profile of the local area have important impacts on the demand for golf, because of the differences in golf participation between age groups. Table VIII-7 shows the number of male and female golfers in the primary trade area in 2005, 2010, and 2015. There are presently 204 golfers within the trade area boundaries. In 2010, it is anticipated that 238 golfers will reside in the primary trade area, and by the year 2015, there should be 282 golfing residents in the trade area.

**TABLE VIII-5: GOLF PARTICIPATION RATES BY AGE AND GENDER IN THE U.S., WEST SOUTH CENTRAL STATES AND TEXAS**

**United States**

Age Range	Male Golf Participation Rate			Female Golf Participation Rate			Total Golf Participation Rate		
	Serious*	Occasional**	Total	Serious*	Occasional**	Total	Serious*	Occasional**	Total
0-5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5-11	2.4%	4.4%	6.8%	0.5%	1.0%	1.6%	0.7%	3.0%	3.7%
12-17	6.5%	8.5%	15.0%	0.8%	0.9%	1.8%	4.4%	4.4%	8.8%
18-29	9.7%	10.2%	19.9%	1.2%	2.9%	4.1%	4.8%	7.0%	11.9%
30-39	13.3%	12.6%	25.9%	1.9%	4.2%	6.1%	6.4%	9.0%	15.5%
40-49	11.8%	9.7%	21.4%	1.9%	3.4%	5.3%	5.9%	6.7%	12.6%
50-59	11.0%	7.2%	18.2%	2.5%	2.6%	5.1%	6.2%	4.8%	10.9%
60-64	11.6%	5.8%	17.4%	3.2%	1.9%	5.1%	6.8%	3.8%	10.6%
65+	10.0%	3.7%	13.8%	2.2%	1.4%	3.6%	5.2%	2.1%	7.3%
<b>Total</b>	<b>10.4%</b>	<b>9.4%</b>	<b>19.8%</b>	<b>1.7%</b>	<b>2.8%</b>	<b>4.5%</b>	<b>5.7%</b>	<b>6.2%</b>	<b>11.9%</b>

**West South Central**

Age Range	Male Golf Participation Rate			Female Golf Participation Rate			Total Golf Participation Rate		
	Serious*	Occasional**	Total	Serious*	Occasional**	Total	Serious*	Occasional**	Total
0-5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5-11	1.2%	3.7%	4.9%	0.3%	1.0%	1.3%	0.4%	2.6%	2.9%
12-17	3.4%	7.1%	10.5%	0.5%	0.9%	1.4%	2.4%	3.8%	6.2%
18-29	5.1%	8.5%	13.6%	0.7%	2.8%	3.4%	2.6%	6.1%	8.6%
30-39	7.0%	10.5%	17.4%	1.1%	4.0%	5.1%	3.4%	7.8%	11.2%
40-49	6.2%	8.1%	14.2%	1.1%	3.2%	4.3%	3.2%	5.8%	8.9%
50-59	5.7%	6.0%	11.7%	1.4%	2.4%	3.8%	3.3%	4.1%	7.4%
60-64	6.1%	4.9%	10.9%	1.8%	1.8%	3.6%	3.6%	3.3%	6.9%
65+	5.2%	3.1%	8.4%	1.2%	1.3%	2.5%	2.8%	1.8%	4.6%
<b>Total</b>	<b>5.4%</b>	<b>7.9%</b>	<b>13.3%</b>	<b>0.9%</b>	<b>2.7%</b>	<b>3.6%</b>	<b>3.1%</b>	<b>5.3%</b>	<b>8.4%</b>

**Texas**

Age Range	Male Golf Participation Rate			Female Golf Participation Rate			Total Golf Participation Rate		
	Serious*	Occasional**	Total	Serious*	Occasional**	Total	Serious*	Occasional**	Total
0-5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5-11	1.0%	3.7%	4.8%	0.2%	1.0%	1.2%	0.3%	2.5%	2.9%
12-17	2.8%	7.2%	10.0%	0.4%	0.9%	1.2%	1.9%	3.8%	5.7%
18-29	4.2%	8.6%	12.9%	0.5%	2.7%	3.2%	2.1%	6.0%	8.1%
30-39	5.8%	10.6%	16.4%	0.8%	3.9%	4.7%	2.8%	7.7%	10.6%
40-49	5.2%	8.1%	13.3%	0.8%	3.1%	3.9%	2.6%	5.7%	8.3%
50-59	4.8%	6.1%	10.9%	1.1%	2.4%	3.4%	2.7%	4.1%	6.8%
60-64	5.1%	4.9%	10.0%	1.3%	1.7%	3.1%	3.0%	3.3%	6.2%
65+	4.4%	3.1%	7.5%	0.9%	1.3%	2.2%	2.3%	1.8%	4.1%
<b>Total</b>	<b>4.6%</b>	<b>7.9%</b>	<b>12.5%</b>	<b>0.7%</b>	<b>2.6%</b>	<b>3.3%</b>	<b>2.5%</b>	<b>5.3%</b>	<b>7.8%</b>

\* Participation rates indicate the percentage of each population group that golfs at least eight times per year

\*\* Participation rates indicate the percentage of each population group that golfs less than eight times per year

Source: National Golf Foundation and THK Associates, Inc.

**TABLE VIII-6: AGE AND GENDER DISTRIBUTION OF SOUTH PADRE ISLAND, 2000 - 2015**

Male	2000		2005		2010		2015	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0-4	45	3.5%	53	3.6%	88	5.0%	107	5.1%
5-11	58	4.5%	72	4.8%	131	7.5%	158	7.6%
12-17	58	4.5%	64	4.3%	104	5.9%	119	5.7%
18-29	182	14.1%	171	11.6%	214	12.2%	256	12.3%
30-39	184	14.3%	200	13.5%	237	13.5%	281	13.5%
40-49	196	15.2%	241	16.3%	290	16.5%	342	16.4%
50-59	221	17.1%	291	19.7%	317	18.1%	372	17.9%
60-64	103	8.0%	116	7.8%	116	6.6%	137	6.6%
65+	242	18.8%	271	18.3%	258	14.7%	310	14.9%
<b>Total</b>	<b>1,289</b>	<b>100.0%</b>	<b>1,479</b>	<b>100.0%</b>	<b>1,754</b>	<b>100.0%</b>	<b>2,081</b>	<b>100.0%</b>

Female	2000		2005		2010		2015	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0-4	55	4.9%	56	4.1%	81	5.0%	98	5.1%
5-12	47	4.1%	77	5.6%	127	7.8%	153	7.9%
12-17	51	4.5%	57	4.1%	97	5.9%	111	5.7%
18-29	135	11.9%	134	9.8%	174	10.7%	208	10.8%
30-39	161	14.2%	172	12.5%	199	12.2%	236	12.2%
40-49	183	16.1%	241	17.6%	282	17.3%	332	17.2%
50-59	204	18.0%	270	19.7%	291	17.9%	342	17.7%
60-64	94	8.3%	111	8.1%	110	6.8%	131	6.8%
65+	204	18.0%	251	18.3%	265	16.3%	318	16.5%
<b>Total</b>	<b>1,133</b>	<b>100.0%</b>	<b>1,370</b>	<b>100.0%</b>	<b>1,626</b>	<b>100.0%</b>	<b>1,929</b>	<b>100.0%</b>

Total	2000		2005		2010		2015	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0-4	100	4.1%	109	3.8%	169	5.0%	205	5.1%
5-12	105	4.3%	149	5.2%	258	7.6%	310	7.7%
12-17	109	4.5%	121	4.2%	200	5.9%	230	5.7%
18-29	317	13.1%	305	10.7%	388	11.5%	465	11.6%
30-39	345	14.2%	372	13.1%	436	12.9%	517	12.9%
40-49	378	15.6%	483	16.9%	571	16.9%	674	16.8%
50-59	424	17.5%	562	19.7%	609	18.0%	714	17.8%
60-64	197	8.1%	227	8.0%	226	6.7%	268	6.7%
65+	446	18.4%	522	18.3%	522	15.5%	628	15.7%
<b>Total</b>	<b>2,422</b>	<b>100.0%</b>	<b>2,849</b>	<b>100.0%</b>	<b>3,380</b>	<b>100.0%</b>	<b>4,010</b>	<b>100.0%</b>

Source: U.S. Bureau of the Census, and THK Associates, Inc.

**TABLE VIII-7: NUMBER OF GOLFERS BY AGE AND GENDER IN SOUTH PADRE ISLAND, 200 - 2015**

2005 Age Range	Male			Female			Total		
	Serious*	Occasional**	Total	Serious*	Occasional**	Total	Serious*	Occasional**	Total
0-5	-	-	-	-	-	-	-	-	-
5-11	1	3	4	-	1	1	1	4	5
12-17	2	5	7	-	-	-	2	5	7
18-29	7	15	22	1	4	5	8	19	27
30-39	12	21	33	1	7	8	13	28	41
40-49	12	20	32	2	8	10	14	28	42
50-59	14	18	32	3	6	9	17	24	41
60-64	6	6	12	2	2	4	8	8	16
65+	12	8	20	2	3	5	14	11	25
<b>Total</b>	<b>66</b>	<b>96</b>	<b>162</b>	<b>11</b>	<b>31</b>	<b>42</b>	<b>77</b>	<b>127</b>	<b>204</b>

2010 Age Range	Male			Female			Total		
	Serious*	Occasional**	Total	Serious*	Occasional**	Total	Serious*	Occasional**	Total
0-5	-	-	-	-	-	-	-	-	-
5-11	1	5	6	-	1	1	1	6	7
12-17	3	7	10	-	1	1	3	8	11
18-29	9	19	28	1	6	7	10	25	35
30-39	14	25	39	2	9	11	16	34	50
40-49	15	24	39	2	9	11	17	33	50
50-59	15	19	34	3	8	11	18	27	45
60-64	6	6	12	2	2	4	8	8	16
65+	11	8	19	2	3	5	13	11	24
<b>Total</b>	<b>74</b>	<b>113</b>	<b>187</b>	<b>12</b>	<b>39</b>	<b>51</b>	<b>86</b>	<b>152</b>	<b>238</b>

2015 Age Range	Male			Female			Total		
	Serious*	Occasional**	Total	Serious*	Occasional**	Total	Serious*	Occasional**	Total
0-5	-	-	-	-	-	-	-	-	-
5-11	2	6	8	-	1	1	2	7	9
12-17	3	9	12	-	1	1	3	10	13
18-29	11	22	33	1	6	7	12	28	40
30-39	17	30	47	2	9	11	19	39	58
40-49	18	28	46	3	11	14	21	39	60
50-59	18	23	41	4	8	12	22	31	53
60-64	7	7	14	2	2	4	9	9	18
65+	14	10	24	3	4	7	17	14	31
<b>Total</b>	<b>90</b>	<b>135</b>	<b>225</b>	<b>15</b>	<b>42</b>	<b>57</b>	<b>105</b>	<b>177</b>	<b>282</b>

\* Participation rates indicate the percentage of each population group that golfs at least eight times per year

\*\* Participation rates indicate the percentage of each population group that golfs less than eight times per year

Source: THK Associates, Inc

Next, Table VIII-8 shows the number of rounds that the average golfer plays by age level. The national golfer averages 19.2 rounds per year, while golfers over 65 average play of 41.9 rounds of golf per year. Young golfers average only 7.9 rounds per year nationally. In Texas, it is estimated that 22.1 rounds will be played by the average golfer in 2005, while seniors will play 36.4 rounds. The number of rounds is expected to grow to 22.3 for the average player in 2015.

The number of rounds of golf generated by each group in South Padre is shown in Table VIII-9. The rounds per golfer for each age (Table V-12) are multiplied by the number of golfers in the trade area and are then adjusted for an 18-hole equivalent round. In 2005, 3,289 rounds of 18-hole golf will be demanded by residents in South Padre. A large percentage of those rounds will come from those aged 65+ who will account for 976 rounds of golf. By the year 2015, there will be a resident demand for 4,420 rounds of golf by SPI residents.

**TABLE VIII-8: AVERAGE NUMBER OF ROUNDS FOR GOLFERS BY AGE**

Age Range	2004			2005		
	Serious	National Occasional	Total	Serious	Texas Occasional	Total
5-11	13.6	1.6	7.9	16.7	1.6	9.1
12-17	26.1	2.5	14.5	30.0	2.9	16.7
18-29	24.1	2.3	13.5	27.8	2.7	15.5
30-39	25.4	2.5	14.2	29.3	2.8	16.3
40-49	28.8	2.8	16.1	33.2	3.2	18.5
50-59	44.9	4.3	25.0	51.7	5.0	28.8
60-64	69.2	6.7	38.6	79.7	7.7	44.4
65+	75.2	7.2	41.9	86.5	8.3	48.2
<b>Total</b>	<b>31.3</b>	<b>3.3</b>	<b>19.2</b>	<b>36.0</b>	<b>3.8</b>	<b>22.1</b>

Age Range	2010			2015		
	Serious	Texas Occasional	Total	Serious	Texas Occasional	Total
5-11	16.8	1.4	9.1	15.9	1.4	9.2
12-17	31.0	2.9	16.8	31.1	2.9	16.9
18-29	28.7	2.7	15.6	28.8	2.7	15.6
30-39	30.2	2.8	16.4	30.4	2.8	16.5
40-49	34.2	3.2	18.6	34.4	3.2	18.7
50-59	53.4	5.0	29.0	53.6	5.0	29.1
60-64	82.2	7.7	44.6	82.7	7.8	44.9
65+	89.3	8.4	48.5	89.8	8.4	48.7
<b>Total</b>	<b>36.2</b>	<b>3.8</b>	<b>22.2</b>	<b>36.4</b>	<b>3.9</b>	<b>22.3</b>

Source: National Golf Foundation and THK Associates, Inc.

**TABLE VIII-9: NUMBER OF 18-HOLE EQUIVALENT ROUNDS PER GOLFER BY AGE  
FOR SOUTH PADRE ISLAND, 2005 - 2015**

**2005**

<b>Age Range</b>	<b>Rounds Per Serious Golfer</b>	<b>Number of Serious Golfers</b>	<b>18 Hole Equivalent Rounds</b>	<b>Rounds Per Occasional Golfer</b>	<b>Number of Occasional Golfers</b>	<b>18 Hole Equivalent Rounds</b>	<b>Total 18 Hole Equivalent Rounds</b>
5-11	16.7	1	13	1.6	4	5	<b>18</b>
12-17	30.0	2	45	2.9	5	11	<b>56</b>
18-29	27.8	8	167	2.7	19	38	<b>205</b>
30-39	29.3	13	286	2.8	28	59	<b>345</b>
40-49	33.2	14	349	3.2	28	67	<b>416</b>
50-59	51.7	17	659	5.0	24	90	<b>749</b>
60-64	79.7	8	478	7.7	8	46	<b>524</b>
65+	86.5	14	908	8.3	11	68	<b>976</b>
<b>Total</b>	<b>36.0</b>	<b>77</b>	<b>2,905</b>	<b>3.8</b>	<b>127</b>	<b>384</b>	<b>3,289</b>

**2010**

<b>Age Range</b>	<b>Rounds Per Serious Golfer</b>	<b>Number of Serious Golfers</b>	<b>18 Hole Equivalent Rounds</b>	<b>Rounds Per Occasional Golfer</b>	<b>Number of Occasional Golfers</b>	<b>18 Hole Equivalent Rounds</b>	<b>Total 18 Hole Equivalent Rounds</b>
5-11	16.8	1	13	1.4	6	6	<b>19</b>
12-17	31.0	3	70	2.9	8	17	<b>87</b>
18-29	28.7	10	215	2.7	25	50	<b>265</b>
30-39	30.2	16	363	2.8	34	72	<b>435</b>
40-49	34.2	17	437	3.2	33	79	<b>516</b>
50-59	53.4	18	720	5.0	27	101	<b>821</b>
60-64	82.2	8	493	7.7	8	46	<b>539</b>
65+	89.3	13	871	8.4	11	69	<b>940</b>
<b>Total</b>	<b>36.2</b>	<b>86</b>	<b>3,182</b>	<b>3.8</b>	<b>152</b>	<b>440</b>	<b>3,622</b>

**2015**

<b>Age Range</b>	<b>Rounds Per Serious Golfer</b>	<b>Number of Serious Golfers</b>	<b>18 Hole Equivalent Rounds</b>	<b>Rounds Per Occasional Golfer</b>	<b>Number of Occasional Golfers</b>	<b>18 Hole Equivalent Rounds</b>	<b>Total 18 Hole Equivalent Rounds</b>
5-11	15.9	2	20	1.4	7	10	<b>30</b>
12-17	31.1	3	70	2.9	10	20	<b>90</b>
18-29	28.8	12	260	2.7	28	60	<b>320</b>
30-39	30.4	19	430	2.8	39	80	<b>510</b>
40-49	34.4	21	540	3.2	39	90	<b>630</b>
50-59	53.6	22	880	5.0	31	120	<b>1,000</b>
60-64	82.7	9	560	7.8	9	50	<b>610</b>
65+	89.8	17	1,140	8.4	14	90	<b>1,230</b>
<b>Total</b>	<b>36.4</b>	<b>105</b>	<b>3,900</b>	<b>3.9</b>	<b>177</b>	<b>520</b>	<b>4,420</b>

Source: National Golf Foundation and THK Associates, Inc

The next step in the analysis is to determine the extent of demand for golf from visitors to the Island. Because of the climate, the height of the golf season for visitors in the region should run from May through October. RV visitors to the area can be a substantial source of demand for golf because they are more likely to be in search of recreational activities. It's estimated that RV visitors will have a 12% participation rate in the high season and play an average of 11 rounds per day in 2005. (On average, RV golfers play 1.0 times per week.) These visitors will account for 3,466 rounds in 2005 and 4,163 rounds in 2015. Seasonal visitors to the area can also be a significant source of demand for golf because they tend to stay for longer periods of time. It is estimated that seasonal visitors will have a 15% participation rate in the high season and play an average of 25 rounds per day in 2005. (On average, seasonal golfers play 1.0 times per week.) These visitors will account for 7,683 rounds in 2005 and 8,859 rounds in 2015. The projected demand from seasonal visitors is profiled in Table VIII-11.

The projected demand from lodging visitors is profiled in Table VIII-12. It is estimated that 12% of high season lodging visitors are golfers, meaning there will be approximately 567 golfers on an average daily basis staying at Island hotels in 2005. These golfers represent a significant market for local golf, as they are projected to account for an average of 95 rounds daily in 2010. During the high season, these visitors will demand over 20 rounds daily. Overall, this segment will demand 24,388 rounds in 2005 and 33,746 rounds by 2015.

Day visitors to the area were calculated in Section IV. Given golfing opportunities, these visitors can provide a significant source of golf rounds. It is estimated that 8% of the day visitors in the area are golfers, and they could generate over 17,000 rounds of golf in 2005. Many of these day-trippers would arrive from the extremely busy Rio Grande Valley.

Finally, the total demand for golf courses can be calculated. Residents of the trade area will demand 2,631 18-hole rounds from an Island in 2005. Seasonal visitors will demand another 7,683 rounds, hotel visitors will demand 24,388 rounds, and RV visitors will demand 3,466 18-hole rounds. In 2005, there will be demand for 55,290 18-hole rounds. By the year 2015, 71,799 18-hole rounds will need to be accommodated by Island courses to satisfy Island demand.

**TABLE VIII-10: PROJECTED 18 HOLE GOLF ROUNDS BY RV VISITORS ON SOUTH PADRE ISLAND, 2005 - 2015**

**RV VISITORS**

YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>734</b>	442	561	604	658	992	1,259	1,393	1,259	935	237	183	280
2010	<b>804</b>	475	602	649	743	1,120	1,387	1,503	1,359	1,014	275	207	317
2015	<b>881</b>	510	647	697	838	1,264	1,527	1,623	1,467	1,100	318	234	349

**GOLFERS**

YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>79</b>	33	42	45	66	119	151	167	151	112	24	14	21
2010	<b>86</b>	36	45	49	74	134	166	180	163	122	27	16	24
2015	<b>95</b>	38	49	52	84	152	183	195	176	132	32	18	26

**DAILY ROUNDS**

YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>11</b>	5	6	6	9	17	22	24	22	16	3	2	3
2010	<b>12</b>	5	6	7	11	19	24	26	23	17	4	2	3
2015	<b>14</b>	5	7	7	12	22	26	28	25	19	5	3	4

**MONTHLY ROUNDS**

YEAR	TOTAL	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>3,466</b>	90	120	149	235	442	583	668	604	401	75	39	60
2010	<b>3,799</b>	97	129	160	265	499	642	722	652	435	86	44	68
2015	<b>4,163</b>	104	139	172	299	564	707	779	704	472	100	50	75

- 1\ Participation rate is 12% in high season, 10% in shoulder season and 7.5% in low season
- 2\ Play frequency is 1.0 times per week.

Source: THK Associates, Inc

**TABLE VIII-11: PROJECTED 18 HOLE GOLF ROUNDS BY MONTH FOR SEASONAL RESIDENTS IN SOUTH PADRE ISLAND, 2005 - 2015****SEASONAL VISITORS**

YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>1,351</b>	851	1,077	1,644	1,304	1,644	2,098	2,325	1,815	1,361	737	680	680
2010	<b>1,451</b>	913	1,157	1,766	1,400	1,766	2,253	2,496	1,948	1,461	791	731	731
2015	<b>1,558</b>	981	1,242	1,896	1,504	1,896	2,419	2,681	2,092	1,569	850	785	785

**GOLFERS**

YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>178</b>	85	108	164	163	247	315	349	272	204	92	68	68
2010	<b>191</b>	91	116	177	175	265	338	374	292	219	99	73	73
2015	<b>205</b>	98	124	190	188	284	363	402	314	235	106	78	78

**DAILY ROUNDS**

YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>25</b>	12	15	23	23	35	45	50	39	29	13	10	10
2010	<b>27</b>	13	17	25	25	38	48	53	42	31	14	10	10
2015	<b>29</b>	14	18	27	27	41	52	57	45	34	15	11	11

**MONTHLY ROUNDS**

YEAR	TOTAL	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>7,683</b>	231	308	540	582	916	1,214	1,395	1,089	729	290	194	194
2010	<b>8,249</b>	248	331	580	625	984	1,303	1,498	1,169	783	311	209	209
2015	<b>8,859</b>	266	355	623	671	1,057	1,400	1,609	1,255	841	334	224	224

1\ Participation rate is 15% in high season, 12% in shoulder season and 10% in low season

2\ Play frequency is 1.0 times per week

Source: THK Associates, Inc

**TABLE VIII-12: PROJECTED 18 HOLE GOLF ROUNDS BY MONTH FOR LODGING VISITORS IN SOUTH PADRE ISLAND, 2005 - 2015**

<b>LODGING VISITORS</b>													
YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>5,403</b>	4,575	5,803	6,249	6,807	5,803	7,365	8,146	7,365	5,468	2,455	1,897	2,901
2010	<b>6,351</b>	5,378	6,821	7,346	8,002	6,821	8,657	9,576	8,657	6,428	2,886	2,230	3,411
2015	<b>7,476</b>	6,331	8,030	8,647	9,419	8,030	10,191	11,272	10,191	7,566	3,397	2,625	4,015

<b>GOLFERS</b>													
YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>567</b>	343	435	469	681	725	921	1,018	921	684	246	142	218
2010	<b>666</b>	403	512	551	800	853	1,082	1,197	1,082	803	289	167	256
2015	<b>784</b>	475	602	649	942	1,004	1,274	1,409	1,274	946	340	197	301

<b>DAILY ROUNDS</b>													
YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>81</b>	49	62	67	97	104	132	145	132	98	35	20	31
2010	<b>95</b>	58	73	79	114	122	155	171	155	115	41	24	37
2015	<b>112</b>	68	86	93	135	143	182	201	182	135	49	28	43

<b>MONTHLY ROUNDS</b>													
YEAR	TOTAL	January	February	March	April	May	June	July	August	September	October	November	December
2005	<b>24,388</b>	931	1,243	1,540	2,431	2,694	3,551	4,073	3,683	2,441	772	407	622
2010	<b>28,667</b>	1,095	1,462	1,810	2,858	3,167	4,174	4,788	4,329	2,869	907	478	731
2015	<b>33,746</b>	1,289	1,721	2,131	3,364	3,728	4,914	5,636	5,096	3,378	1,068	563	860

- 1\ Participation rate is 12% in high season, 10% in shoulder season and 7.5% in low season
- 2\ Play frequency is 1.5 times per week.

Source: THK Associates, Inc

**TABLE VIII-13: PROJECTED 18 HOLE ROUNDS BY MONTH FOR DAY VISITORS TO SOUTH PADRE ISLAND, 2005 - 2015**

<b>DAY VISITORS</b>													
YEAR	ANNUAL	January	February	March	April	May	June	July	August	September	October	November	December
2004	<b>4,289,950</b>	218,787	231,657	356,066	326,036	253,107	471,895	549,114	510,504	433,285	326,036	313,166	300,297
2009	<b>4,806,516</b>	245,132	259,552	398,941	365,295	283,584	528,717	615,234	571,975	485,458	365,295	350,876	336,456
2014	<b>5,385,283</b>	274,649	290,805	446,979	409,282	317,732	592,381	689,316	640,849	543,914	409,282	393,126	376,970
<b>GOLFERS</b>													
YEAR	ANNUAL	January	February	March	April	May	June	July	August	September	October	November	December
2004	<b>300,297</b>	15,315	16,216	24,925	22,823	17,717	33,033	38,438	35,735	30,330	22,823	21,922	21,021
2009	<b>336,456</b>	17,159	18,169	27,926	25,571	19,851	37,010	43,066	40,038	33,982	25,571	24,561	23,552
2014	<b>376,970</b>	19,225	20,356	31,288	28,650	22,241	41,467	48,252	44,859	38,074	28,650	27,519	26,388
<b>DAILY ROUNDS</b>													
YEAR	AVERAGE	January	February	March	April	May	June	July	August	September	October	November	December
1999	<b>59</b>	35	41	57	54	41	79	89	82	72	53	52	48
2004	<b>66</b>	40	46	64	61	46	88	99	92	81	59	58	54
2009	<b>74</b>	44	52	72	68	51	99	111	103	91	66	66	61
<b>MONTHLY ROUNDS</b>													
YEAR	ANNUAL	January	February	March	April	May	June	July	August	September	October	November	December
1999	<b>17,122</b>	670	827	1,321	1,358	1,061	2,124	2,480	2,306	1,805	1,157	1,044	969
2004	<b>19,184</b>	751	927	1,480	1,522	1,189	2,379	2,778	2,583	2,023	1,296	1,170	1,085
2009	<b>21,494</b>	842	1,039	1,658	1,705	1,332	2,666	3,113	2,894	2,266	1,452	1,310	1,216

- 1\ Participation rate is 8%
- 2\ Play frequency is 0.5 timeS per week.

Source: THK Associates, Inc

**TABLE VIII-14: DEMAND FOR GOLF ON SOUTH PADRE ISLAND, 2005 - 2015**

<b>Item</b>	<b>2005</b>	<b>2007</b>	<b>2010</b>	<b>2015</b>
Total Rounds From				
Primary Trade Area	3,289	3,422	3,622	4,420
Capture of Rounds/1	2,302	2,395	2,535	3,094
Secondary Support /2	329	342	362	442
<b>Total Resident Rounds</b>	<b>2,631</b>	<b>2,738</b>	<b>2,898</b>	<b>3,536</b>
Public Rounds /3	2,368	2,464	2,608	3,182
Private Rounds	263	274	290	354
Total Rounds From				
<b>Seasonal Residents</b>	<b>7,683</b>	<b>7,910</b>	<b>8,249</b>	<b>8,859</b>
Public Rounds	6,530	6,724	7,011	7,530
Private Rounds	1,152	1,187	1,237	1,329
Total Rounds From				
<b>Hotel Visitors</b>	<b>24,388</b>	<b>26,100</b>	<b>28,667</b>	<b>33,746</b>
Public Rounds	24,388	26,100	28,667	33,746
Private Rounds	0	0	0	0
Total Rounds From				
<b>RV/Camping Visitors</b>	<b>3,466</b>	<b>3,600</b>	<b>3,799</b>	<b>4,163</b>
Public Rounds	3,466	3,600	3,799	4,163
Private Rounds	0	0	0	0
Total Rounds From				
<b>Day Visitors</b>	<b>17,122</b>	<b>17,950</b>	<b>19,184</b>	<b>21,494</b>
Public Rounds	17,122	17,950	19,184	21,494
Private Rounds	0	0	0	0
<b>Total Rounds</b>	<b>55,290</b>	<b>58,298</b>	<b>62,797</b>	<b>71,799</b>
Public Rounds	53,874	56,837	61,270	70,117
Private Rounds	1,416	1,460	1,527	1,682

1\ Assumes a capture rate of 70% of resident rounds

2\ Assumes secondary support is 10% of permanent resident demand

3\ Assumes 90% of resident demand is for public rounds

Source: THK Associates, Inc.

## **D. Golf Supply in the Regional Environs**

### *Capacity*

There are several factors THK utilizes to estimate the capacity of a golf facility. The first is the number of daylight hours that are available to play. These daylight hours represent the limiting factor on a day-to-day basis. THK also makes adjustments for the number of "good weather days" in a season. This calculation eliminates days in which, on average, precipitation prevents play at the facility. The third factor involved is the number of days in the golfing season that are available for play. These calculations represent a figure that is analogous to "room nights" in the hotel industry. Most public golf courses operate at 30%-60% of capacity, while many exclusive private and upscale resort courses operate at less than 50% of capacity.

There are also numerous independent factors associated with capacity of the golf course. These factors are dependent on the identity and character of the course. They include the layout that may boast a core, single loaded or double loaded fairway, or some combination of these concepts. The distance from green to tee will also influence the time it takes to play the course and thus, is negatively correlated with capacity. Other physical considerations include the size of the greens, the number of tees, pin placements, the width of the fairways, the length of the rough, etc. One further consideration of the course capacity is the management of the facility. A properly managed course can assure that play is facilitated by controlling these limiting factors.

The following table shows golf course capacity calculations for the course assuming that it will be a regulation 18-hole layout. There are an average of approximately 14.7 daylight hours in July of which 11.7 hours are available for 18-hole tee offs; four hours are available for 9-hole tee offs. This assumes that 9-hole play will be restricted to early and late hours. THK assumes groups will be sent out every seven to eight minutes. With an average group made up of three players for 18 holes and for 9 holes, there is capacity during July for approximately 263 18-hole rounds and 90 9-hole rounds daily. The month of July has a capacity for 9,540 18-hole and 9-hole rounds combined, or the equivalent of 8,330 18-hole rounds. These calculations are listed for each month the golf course could be open.

**TABLE VIII-15: MONTHLY OPERATING CAPACITY CALCULATIONS FOR THE SOUTH PADRE GOLF COURSE**

<b>Course Capacity Calculations</b>	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>	<b>JUL</b>	<b>AUG</b>	<b>SEP</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>	<b>ANNUAL TOTAL</b>
<b>18 Hole Calculations</b>													
Hours Available per Day for 18 Hole Tee-offs	6.5	7.6	8.9	10.3	11.4	12.0	11.7	10.8	9.5	8.1	7.0	6.3	--
Groups per Hour /1 Number 1 every 7-8 minutes	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	--
18-Hole Groups Per Day	48	57	67	77	85	90	88	81	71	61	53	47	--
18-Hole Rounds Per Day /2	145	171	201	232	256	270	263	243	213	182	158	142	--
Length of Seasons in Days	31	28	31	30	31	30	31	31	30	31	30	31	365
Good Weather Days	19	20	24	25	27	27	27	28	25	23	23	22	290
18-Hole Round Capacity Adjusted for Good Weather Days	<b>2,760</b>	<b>3,430</b>	<b>4,820</b>	<b>5,800</b>	<b>6,910</b>	<b>7,290</b>	<b>7,110</b>	<b>6,790</b>	<b>5,330</b>	<b>4,190</b>	<b>3,620</b>	<b>3,120</b>	<b>61,170</b>
<b>9 Hole Calculations</b>													
Hours Available per Day for 9 Hole Tee-offs	4	4	4	4	4	4	4	4	4	4	4	4	--
Groups per Hour /3	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	--
9-Hole Groups Per Day	30	30	30	30	30	30	30	30	30	30	30	30	--
9-Hole Rounds Per Day*	90	90	90	90	90	90	90	90	90	90	90	90	--
Length of Seasons in Days	31	28	31	30	31	30	31	31	30	31	30	31	365
Good Weather Days	19	20	24	25	27	27	27	28	25	23	23	22	290
9-Hole Round Capacity Adjusted for Good Weather Days	1,710	1,800	2,160	2,250	2,430	2,430	2,430	2,520	2,250	2,070	2,070	1,980	26,100
18-Hole Equivalent Adjusted for Good Weather Days	860	900	1,080	1,130	1,220	1,220	1,220	1,260	1,130	1,040	1,040	990	13,090
Total Rounds - 18 and 9 combined Adjusted for Good Weather Days	4,470	5,230	6,980	8,050	9,340	9,720	9,540	9,310	7,580	6,260	5,690	5,100	87,270
18-Hole Equivalent Adjusted for Good Weather Days	<b>3,620</b>	<b>4,330</b>	<b>5,900</b>	<b>6,930</b>	<b>8,130</b>	<b>8,510</b>	<b>8,330</b>	<b>8,050</b>	<b>6,460</b>	<b>5,230</b>	<b>4,660</b>	<b>4,110</b>	<b>74,260</b>

1. Teeing off every 7-8 Minutes
2. Assumes the average group size is 3 players for 18 holes
3. Assumes the average group size is 3 players for 9 holes
4. Teeing off on number 1 every eight minutes for two hours at opening,

Source: THK Associates, Inc.

**TABLE VIII-16: SEASONAL OPERATING CAPACITY CALCULATIONS FOR THE SOUTH PADRE GOLF COURSE**

Course Capacity Calculations	High Season	Low Season	Off Season	Annual Total
	May-September	April, Oct., Nov.	December-March	
18 Hole Calculations				
Hours Available per Day for 18 Hole Tee-offs	11	8	7	--
Groups per Hour /1 Number 1 every 7-8 minutes	7.5	7.5	7.5	--
18-Hole Groups Per Day	83	64	55	--
18-Hole Rounds Per Day /2	249	191	165	--
Length of Seasons in Days	153	91	121	365
Good Weather Days	134	71	85	290
18-Hole Round Capacity Adjusted for Good Weather Days	33,430	13,610	14,130	61,170
<b>9 Hole Calculations</b>				
Hours Available per Day for 9 Hole Tee-offs	4	4	4	--
Groups per Hour /3	7.5	7.5	7.5	--
9-Hole Groups Per Day	30	30	30	--
9-Hole Rounds Per Day*	90	90	90	--
Length of Seasons in Days	153	91	121	365
Good Weather Days	134	71	85	290
9-Hole Round Capacity Adjusted for Good Weather Days	12,060	6,390	7,650	26,100
18-Hole Equivalent Adjusted for Good Weather Days	6,050	3,210	3,830	13,090
Total Rounds - 18 and 9 combined Adjusted for Good Weather Days	45,490	20,000	21,780	87,270
18-Hole Equivalent Adjusted for Good Weather Days	<b>39,480</b>	<b>16,820</b>	<b>17,960</b>	<b>74,260</b>

1. Teeing off every 7-8 Minutes
2. Assumes the average group size is 3 players for 18 holes
3. Assumes the average group size is 3 players for 9 holes
4. Teeing off on number 1 every eight minutes for two hours at opening, and number 10 for two hours at closing

Source: THK Associates, Inc.

## Golf Trends on South Padre Island

In order to further define the operating conditions that exist in the site vicinity, courses in the area have been isolated. There is only one golf facility, South Padre Island Golf Club, operating in the immediate vicinity and it is open to the public. The course plays 34,000 18-hole rounds. This course, though not in the defined "trade area" of the Island itself, would provide significant competition. However, having two championship courses basically at the Island would likely yield benefits down the road, giving South Padre a level of golf destination appeal, drawing golfers who want to play more than one course.

Table VIII-17 is a comparison of the supply and demand of golf rounds in the trade area. Based on the capacities shown, it is estimated that the Island will need approximately 1.4 new 18-hole courses by the end of the decade.

**TABLE VIII-17: COMPARISON OF SUPPLY AND DEMAND FOR GOLF ROUNDS  
ON SOUTH PADRE ISLAND, 2005-2015**

<b>DEMAND</b>	<b>2005</b>	<b>2007</b>	<b>2010</b>	<b>2015</b>
Total Rounds	55,290	58,300	62,800	71,800
Public Rounds	53,870	56,840	61,270	70,120
Private Rounds	1,420	1,460	1,530	1,680
<b>SUPPLY</b>	<b>2005</b>	<b>2007</b>	<b>2010</b>	<b>2015</b>
Current Rounds Played	0	0	0	0
Public Rounds	0	0	0	0
Private Rounds	0	0	0	0
<b>EXCESS DEMAND</b>	<b>2005</b>	<b>2007</b>	<b>2010</b>	<b>2015</b>
Total Rounds	55,290	58,300	62,800	71,800
Public Rounds	53,870	56,840	61,270	70,120
Private Rounds	1,420	1,460	1,530	1,680
<b>CAPACITY</b>	<b>2005</b>	<b>2007</b>	<b>2010</b>	<b>2015</b>
Public Rounds	52,500	52,500	52,500	52,500
Private Rounds	40,000	40,000	40,000	40,000
<b>COURSE DEMAND</b>	<b>2005</b>	<b>2007</b>	<b>2010</b>	<b>2015</b>
Public Courses	1.0	1.1	1.2	1.3
Private Courses	0.0	0.0	0.0	0.0
Total Courses	1.1	1.1	1.2	1.4

Source: THK Associates, Inc.

## E. Fee Summaries for Golf Courses in the Local and Regional Environs

In order to determine the market niche for a new golf course on South Padre Island, THK must evaluate the distribution of all fees at existing courses in the region. The following table profiles the green fee schedules of all of the golf courses in the regional environs. As Table VIII-18 shows, 18-hole weekend green fees for area courses vary from \$10.00 at Ft. Brown to \$64.00 at Rancho Viejo. The average weighted fee for 18 holes is \$28.31.

**Table VIII-18: Summary of Public Golf Course Green Fees in the Regional Market Area**

Golf Course	9 hole		18 hole		Weekday Weighted Fee	Weekend Weighted Fee	2005 Overall 18-Hole Weighted Fee	2007 Overall 18-Hole Weighted Fee
	Weekday	Weekday	Weekend	Weekend				
1 Brownsville Golf & Recreation Center	\$12.00	\$12.00	\$15.00	\$15.00	\$14.40	\$18.00	\$15.66	\$16.94
2 Ft. Brown Municipal Golf Course	\$10.00	\$10.00	\$10.00	\$10.00	\$12.00	\$12.00	\$12.00	\$12.98
3 River Bend Resort & Country Club	\$29.00	\$29.00	\$29.00	\$29.00	\$34.80	\$34.80	\$34.80	\$37.64
4 Valley International Country Club	\$18.00	\$18.00	\$18.00	\$18.00	\$21.60	\$21.60	\$21.60	\$23.36
5 Rancho Viejo Resort & Country Club	\$37.00	\$64.00	\$37.00	\$64.00	\$66.00	\$66.00	\$66.00	\$71.39
6 Tony Butler Golf Course	\$15.00	\$21.00	\$17.00	\$23.00	\$22.80	\$25.20	\$23.64	\$25.57
7 Jim Paul Golf Course	\$12.00	\$15.00	\$14.00	\$17.00	\$16.80	\$19.20	\$17.64	\$19.08
8 Cottonwood Creek Golf Course	\$10.00	n/a	\$10.00	n/a	\$4.00	\$4.00	\$4.00	\$4.33
9 South Padre Island Golf Club	\$30.00	\$57.00	\$33.00	\$62.00	\$57.60	\$62.80	\$59.42	\$64.27
<b>Overall Average</b>	<b>\$19.22</b>	<b>\$25.11</b>	<b>\$20.33</b>	<b>\$26.44</b>	<b>\$27.78</b>	<b>\$29.29</b>	<b>\$28.31</b>	<b>\$30.62</b>

\* Green fees include cart

Source: THK Associates, Inc

## **F. Suggested Fees and Capture Rate**

It is recommended that a resident/non-resident and weekday/weekend fee structure be adopted for the course to encourage non-peak play. Fees range from \$15.00 for 9 holes on the weekday for county residents to \$42.00 for 18 holes on the weekend for non-residents during the high season. As shown in Table VIII-19, this recommended fee schedule results in a weighted average green fee of \$35.46.

Table VIII-20 determines the portion of demand that should be captured at the proposed golf course. In determining the capture rate, several assumptions are made. THK feels the existing SPI Golf Club, as well as other regional facilities, would draw a good portion of demand, thus giving a course on the Island 70% of total demand.

The market potentials for the proposed golf course on the Island are detailed on a yearly basis in Table VIII-21. As shown, the proposed course is projected to play nearly 32,000 18-hole rounds in 2007 and 42,889 18-hole rounds in 2010.

**TABLE VIII-19: SUGGESTED FEES FOR THE SOUTH PADRE COURSE, 2007**

**NON-RESIDENT**

<b>Greens Fee</b>	<b>Recommended Fee</b>	<b>18 Hole Equivalent Fee</b>	<b>Weight</b>	<b>Weighted Average</b>
9-Hole Weekday	\$20.00	\$40.00	12.5%	\$5.00
18-Hole Weekday	\$35.00	\$35.00	25.0%	\$8.75
9-Hole Weekend	\$24.00	\$48.00	7.5%	\$3.60
18-Hole Weekend	\$42.00	\$42.00	20.0%	\$8.40
Twilight, Senior, Junior, Discounted Rounds	\$27.50	\$27.50	12.5%	\$3.44
<b>Average</b>			<b>77.5%</b>	<b>\$29.19</b>

**COUNTY RESIDENT**

<b>Greens Fee</b>	<b>Recommended Fee</b>	<b>18 Hole Equivalent Fee</b>	<b>Weight</b>	<b>Weighted Average</b>
9-Hole Weekday	\$15.00	\$30.00	3.0%	\$0.90
18-Hole Weekday	\$27.00	\$27.00	6.0%	\$1.62
9-Hole Weekend	\$20.00	\$40.00	1.5%	\$0.60
18-Hole Weekend	\$35.00	\$35.00	5.0%	\$1.75
Twilight, Senior, Junior, Discounted Rounds	\$20.00	\$20.00	7.0%	\$1.40
<b>Average</b>			<b>22.5%</b>	<b>\$6.27</b>

**Overall Weighted Average Fee \$35.46**

**Cart Fees**

9 Hole	\$12.00
18 Hole	\$24.00

Source: THK Associates, Inc.

**TABLE VIII-20: SOUTH PADRE GOLF COURSE CAPTURE RATE DETERMINANT**

<b>Generic Capture Rate</b>	<b>Courses</b>
Total Competitors*	0.4
Proposed/Under Construction	0.0
Site Addition (18 holes)	1.0
Total	1.4
<b>Generic 18-hole Capture</b>	<b>70.0%</b>

\*The proximity and quality of the existing SPI Golf Club make is likely that as much as 30% of demand will be drawn to this facility

Source: THK Associates, Inc.

**TABLE VIII-21: MARKET POTENTIALS FOR A SOUTH PADRE ISLAND 18-HOLE GOLF COURSE**

<b>Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Demand for Public Golf Rounds	56,840	58,317	59,793	61,270	63,040
Capture Rate	55.0%	65.0%	70.0%	70.0%	70.0%
<b>Total 18 Hole Rounds Demanded at The Proposed 18-Hole Course</b>	<b>31,262</b>	<b>37,906</b>	<b>41,855</b>	<b>42,889</b>	<b>44,128</b>
9 Hole Players	12,505	15,162	16,742	17,156	17,651
18 Hole Players	25,010	30,325	33,484	34,311	35,302
Total Players	37,514	45,487	50,226	51,467	52,954
Course Utilization*	<b>59.5%</b>	<b>72.2%</b>	<b>79.7%</b>	<b>81.7%</b>	<b>84.1%</b>

<b>Year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Demand for Public Golf Rounds	64,810	66,580	68,350	70,120	71,890
Capture Rate	70.0%	70.0%	70.0%	70.0%	70.0%
<b>Total 18 Hole Rounds Demanded at The Proposed 18-Hole Course</b>	<b>45,367</b>	<b>46,606</b>	<b>47,845</b>	<b>49,084</b>	<b>50,323</b>
9 Hole Players	18,147	18,642	19,138	19,634	20,129
18 Hole Players	36,294	37,285	38,276	39,267	40,258
Total Players	54,440	55,927	57,414	58,901	60,388
Course Utilization*	<b>86.4%</b>	<b>88.8%</b>	<b>91.1%</b>	<b>93.5%</b>	<b>95.9%</b>

\* Based on a course utilization of 52,500 18-Hole Rounds

Source: THK Associates, Inc.

## **IX. CASH FLOW ANALYSIS FOR THE SOUTH PADRE ISLAND GOLF COURSE**

The purpose of this cash flow analysis is to determine the net operating income that will result from the operation of the 18-hole South Padre Island golf course beginning in 2007. The analysis examines revenue sources and expenses involved in the operation of the course, as well as the debt supportable for the golf complex based on these cash flow projections.

### **A. Projected Operating Revenues**

Based on a market analysis completed by THK in June 2005, it was determined that the 18-hole golf course will support 31,262 18-hole rounds of golf in 2007 and 41,855 18-hole rounds of golf in 2009. It was also recommended in the market analysis that average green fees of \$35.46 for 18 holes be assessed starting in 2007; these fees will rise to \$46.27 by 2016. By applying the recommended green fees to the projected number of golf rounds, Table IX-1 illustrates the income potential from green fees at the course through the year 2016.

As shown in Table IX-1, revenue from green fees at the golf course will be \$1,108,551 in 2007 and \$2,328,307 in 2016. The increases from 2007 are caused by annual increases in rounds played and green fees, which should average a 3.0% annual increase over the period 2007-2016. THK has used the 2007 weighted average green fee rate of \$35.46 for 18 holes as determined in the previous section.

The practice facility has become a focal point for the golf industry in recent years, and there have been many challenges to the traditional concept of a driving range. The area no longer serves only for purposes of driving a golf ball, but allows the golfer to refine his skills in all facets of the game. This demand for practice facilities has led to a concept of rental time at a practice center. Golfers are then not charged per bucket, but per fractional hour. The newest practice facilities can therefore place balls at each stall, as has been common place in private clubs for some time. There are some indications that this method has the ability to extend a players practice time, and therefore generate additional revenues for each player. The average golfer currently practices for 30 minutes at each visit to the range. The practice range will be an important facet of the golf complex because it will allow the course to actively market to beginning golfers, young golfers and female golfers.

The practice range will be a substantial source of revenue for the golf complex. The stalls will generate \$4.50 per user, and there will be 9,379 and 703 range-specific visitors using the practice range in 2007. These users will generate total revenues of \$45,369. Revenue will grow to \$95,289 in 2016; these revenues are shown in Table IX-2.

In addition to the revenue received from green fees and range fees, income will be realized from cart rental and pro shop and food concession sales. Based on industry averages and pro formas from area public golf courses, it was determined that the average golfer will spend \$6.60 on concessions in 2007. Table IX-4 illustrates the income potential from concessions. Table IX-5 illustrates the income potential from the pro shop. Pro shop revenues of \$161,312 in 2007 will increase to \$338,806 in 2016.

By combining the various revenues, Table IX-6 projects total revenues for the 18-hole golf course from 2007 to 2016. The revenues range from \$1,885,242 in 2007 to \$3,956,844 in 2016.

**Table IX-1: Greens Fee Revenue at the South Padre Golf Course**

Year	Total Number of 18 Hole Rounds	18 Hole Greens Fee*	Total Green Fee Revenue	Total Players	Revenue Per Player
2007	31,262	\$35.46	\$1,108,551	37,514	\$29.55
2008	37,906	\$36.52	\$1,384,465	45,487	\$30.44
2009	41,855	\$37.62	\$1,574,577	50,226	\$31.35
2010	42,889	\$38.75	\$1,661,867	51,467	\$32.29
2011	44,128	\$39.91	\$1,761,172	52,954	\$33.26
2012	45,367	\$41.11	\$1,864,940	54,440	\$34.26
2013	46,606	\$42.34	\$1,973,349	55,927	\$35.28
2014	47,845	\$43.61	\$2,086,584	57,414	\$36.34
2015	49,084	\$44.92	\$2,204,837	58,901	\$37.43
2016	50,323	\$46.27	\$2,328,307	60,388	\$38.56

1\ Weighted average of all Greens Fees

2\ 3.0% rate of Inflation

Source: THK Associates, Inc.

**Table IX-2: Range Revenue at the South Padre Golf Course**

Year	Total Players	Players Using Practice Range	Public Use of Practice Range	Average Fee	Practice Range Total Revenue
2007	37,514	9,379	703	\$4.50	\$45,369
2008	45,487	11,372	853	\$4.64	\$56,661
2009	50,226	12,557	942	\$4.77	\$64,442
2010	51,467	12,867	965	\$4.92	\$68,014
2011	52,954	13,238	993	\$5.06	\$72,078
2012	54,440	13,610	1,021	\$5.22	\$76,325
2013	55,927	13,982	1,049	\$5.37	\$80,762
2014	57,414	14,354	1,077	\$5.53	\$85,396
2015	58,901	14,725	1,104	\$5.70	\$90,236
2016	60,388	15,097	1,132	\$5.87	\$95,289

1\ Assumes that 1 bucket of range balls will be used for every 4 golfers

2\ Fee = Average of all Range Fees

3\ 3.0% rate of Inflation

Source: THK Associates, Inc.

**Table IX-3: Rental Revenue at the South Padre Golf Course**

Year	Total # of 9-hole Rounds	Paid 9 Hole Carts	9 Hole Cart Fee*	Cart Fee Revenue
2007	12,505	4,168	\$12.00	\$50,019
2008	15,162	5,054	\$12.36	\$62,469
2009	16,742	5,581	\$12.73	\$71,047
2010	17,156	5,719	\$13.11	\$74,986
2011	17,651	5,884	\$13.51	\$79,466
2012	18,147	6,049	\$13.91	\$84,148
2013	18,642	6,214	\$14.33	\$89,040
2014	19,138	6,379	\$14.76	\$94,149
2015	19,634	6,545	\$15.20	\$99,485
2016	20,129	6,710	\$15.66	\$105,056

Year	Total # of 18-hole Rounds	Paid 18 Hole Carts	18 Hole Cart Fee*	Cart Fee Revenue	Misc. Rental Revenue	Total Rental Revenue
2007	25,010	11,115	\$24.00	\$266,769	\$5,627	\$322,415
2008	30,325	13,478	\$24.72	\$333,167	\$6,823	\$402,459
2009	33,484	14,882	\$25.46	\$378,917	\$7,534	\$457,498
2010	34,311	15,249	\$26.23	\$399,923	\$7,720	\$482,628
2011	35,302	15,690	\$27.01	\$423,820	\$7,943	\$511,230
2012	36,294	16,130	\$27.82	\$448,792	\$8,166	\$541,106
2013	37,285	16,571	\$28.66	\$474,880	\$8,389	\$572,309
2014	38,276	17,012	\$29.52	\$502,130	\$8,612	\$604,891
2015	39,267	17,452	\$30.40	\$530,587	\$8,835	\$638,907
2016	40,258	17,893	\$31.31	\$560,300	\$9,058	\$674,414

1\ Assumes 9 Hole Cart Usage is 60% of all Players and 1.8 Golfers per Cart

2\ Assumes 18 Hole Cart Usage is 80% of all Players and 1.8 Golfers per Cart

3\ 3.0% rate of Inflation

Source: THK Associates, Inc.

**Table IX-4: Concessions Revenue at the South Padre Golf Course**

Year	Number of Total Players	Food & Non- Alcoholic Beverage Expenditure Per Player	Alcoholic Beverage Expenditure Per Player	Total Expenditure Per Player	Total Concession Revenues	Square Footage Required
2007	37,514	\$4.45	\$2.15	\$6.60	\$247,595	1,905
2008	45,487	\$4.58	\$2.21	\$6.80	\$309,221	2,379
2009	50,226	\$4.72	\$2.28	\$7.00	\$351,682	2,705
2010	51,467	\$4.86	\$2.35	\$7.21	\$371,178	2,855
2011	52,954	\$5.01	\$2.42	\$7.43	\$393,358	3,026
2012	54,440	\$5.16	\$2.49	\$7.65	\$416,535	3,204
2013	55,927	\$5.31	\$2.57	\$7.88	\$440,748	3,390
2014	57,414	\$5.47	\$2.64	\$8.12	\$466,039	3,585
2015	58,901	\$5.64	\$2.72	\$8.36	\$492,451	3,788
2016	60,388	\$5.81	\$2.81	\$8.61	\$520,028	4,000
Percent		67.4%	32.6%	100.0%		

1\ All Revenues are Gross

2\ 3.0% rate of Inflation

3\ Includes banquet sales from tournament play and corporate outings

Source: THK Associates, Inc.

**Table IX-5: Pro Shop Revenue at the South Padre Golf Course**

Year	Number of Total Players	Average Expenditure per Player	Annual Revenue	Square Footage Required
2007	37,514	\$4.30	\$161,312	1,152
2008	45,487	\$4.43	\$201,462	1,439
2009	50,226	\$4.56	\$229,126	1,637
2010	51,467	\$4.70	\$241,828	1,727
2011	52,954	\$4.84	\$256,279	1,831
2012	54,440	\$4.98	\$271,379	1,938
2013	55,927	\$5.13	\$287,154	2,051
2014	57,414	\$5.29	\$303,632	2,169
2015	58,901	\$5.45	\$320,839	2,292
2016	60,388	\$5.61	\$338,806	2,420

1\ Pro Shop revenues include all merchandise sales

2\ 3.0% rate of Inflation

Source: THK Associates, Inc.

**Table IX-6: Summary of Operating Revenues at the South Padre Golf Course**

Year	Greens Fees	Rental Fees	Practice Range Fees	Pro Shop	Concessions	Total Revenue
2007	\$1,108,551	\$322,415	\$45,369	\$161,312	\$247,595	\$1,885,242
2008	\$1,384,465	\$402,459	\$56,661	\$201,462	\$309,221	\$2,354,268
2009	\$1,574,577	\$457,498	\$64,442	\$229,126	\$351,682	\$2,677,325
2010	\$1,661,867	\$482,628	\$68,014	\$241,828	\$371,178	\$2,825,517
2011	\$1,761,172	\$511,230	\$72,078	\$256,279	\$393,358	\$2,994,118
2012	\$1,864,940	\$541,106	\$76,325	\$271,379	\$416,535	\$3,170,285
2013	\$1,973,349	\$572,309	\$80,762	\$287,154	\$440,748	\$3,354,322
2014	\$2,086,584	\$604,891	\$85,396	\$303,632	\$466,039	\$3,546,542
2015	\$2,204,837	\$638,907	\$90,236	\$320,839	\$492,451	\$3,747,270
2016	\$2,328,307	\$674,414	\$95,289	\$338,806	\$520,028	\$3,956,844
Percent	58.8%	17.1%	2.4%	8.6%	13.1%	100.0%

Source: THK Associates, Inc.

## **B. Operating Costs**

In Tables IX-7 through IX-12, THK recommends a staff salary structure and the necessary personnel for operating the pro shop, concessions and maintenance of the 18-hole golf course. In terms of staffing, a golf superintendent and head professional will, of course, be the most vital and highest paying positions.

### *Golf Course Maintenance Payroll*

The labor costs of maintaining and improving the golf course are included under this heading. The head of this department is a superintendent who directs the entire maintenance staff and is in charge of decisions such as how often to mow, fertilize, the width of fairways, etc. This position is typically filled with an individual educated in agronomy and aware of all environmental issues involved with the operation of the facility. His aide is the assistant superintendent who performs supervising tasks and care of the irrigation system. This assistant concentrates on all maintenance machinery, carts, trucks and other mechanical items. The final staff positions are the greens keepers, groundskeepers, and laborers. They perform the actual trimming, mowing, fertilizing, etc., activities at the facility. Typically, the majority of these workers are part-time or seasonal. Employee uniforms, rain gear, and benefits are also part of this budget. These employees will be phased in over a two-year period with the first year being the grow-in of the golf course.

The summary of anticipated wage and salary expenses for golf course maintenance shown in Table IX-7 reveals that these costs will start at \$312,348 in 2006 and grow to \$602,514 by 2016. Table IX-9 illustrates the recommended pro shop staffing beginning in 2007. These costs will start at \$233,402 and rise to \$304,536 in 2016. Table IX-11 shows the recommended concessions area staffing beginning in 2007. These costs begin at \$142,988 and rise to \$186,567 in 2016.

There are numerous "physical" costs that are deemed necessary for a quality golf course. These operating costs are based on the type of facility that is deemed necessary in the feasibility study, and are a combination of the site considerations, greens fees and the likely course clientele. The course should have multiple sets of tees to accommodate all golfers, and it will need to have cart paths at a minimum from green to tee and the length of all par 3 holes. The costs associated with operating an 18-hole golf course of this caliber are also estimated in Table IX-13. As shown, "operating expenses" will account for the bulk of the facility's physical costs, with utilities and management expenses accounting for most of the remainder.

Operational expenses will also be incurred for the golf course's concession and pro shop operations. Overall, operational expenses will increase from \$1,520,707 in 2007 to \$2,136,533 in 2016. It should be noted that operational expenses are projected to increase by 3% per annum throughout the projection period.

**Table IX-7: Recommended Course Maintenance Staffing Phase in for the South Padre Golf Course**

Position	2006				2007				2008			
	Number	Wage	Annual Hours/Yr	Salary	Number	Wage	Annual Hours/Yr	Salary	Number	Wage	Annual Hours/Yr	Salary
Superintendent	1	\$40.00	2,080	\$83,200	1	\$41.20	2,080	\$85,696	1	\$42.44	2,080	\$88,267
Assistant Super/Irrigation Tech	1	\$22.50	936	\$21,060	1	\$23.18	1,560	\$36,153	1	\$23.87	1,560	\$37,238
Full Time Assistant\Mechanic	2	\$15.00	1,872	\$28,080	2	\$15.45	3,120	\$48,204	2	\$15.91	3,120	\$49,650
Full Time Laborer	10	\$8.00	9,360	\$74,880	10	\$8.24	15,600	\$128,544	10	\$8.49	15,600	\$132,400
Part Time Laborer	2	\$7.50	1,170	\$8,775	2	\$7.73	1,950	\$15,064	2	\$7.96	1,950	\$15,516
Full Time Seasonal Laborer	5	\$7.00	3,600	\$25,200	5	\$7.21	6,000	\$43,260	5	\$7.43	6,000	\$44,558
Part Time Seasonal Labor	2	\$7.00	720	\$5,040	2	\$7.21	1,200	\$8,652	2	\$7.43	1,200	\$8,912
Total	23	\$15.29	19,738	\$246,235	23	\$15.74	31,510	\$365,573	23	\$16.22	31,510	\$376,540
Taxes				\$43,091				\$63,975				\$65,894
Benefits				\$20,722				\$29,860				\$30,755
Uniforms				\$2,300				\$2,369				\$2,440
Total				\$312,348				\$461,777				\$475,630

Source: THK Associates, Inc.

**Table IX-8: Golf Course Maintenance Staffing Summary for the South Padre Golf Course**

Position	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Grow In	Full Year									
Superintendent	\$83,200	\$85,696	\$88,267	\$90,915	\$93,642	\$96,452	\$99,345	\$102,326	\$105,395	\$108,557	\$111,814
Assistant Super/Irrigation Tech	\$21,060	\$36,153	\$37,238	\$38,355	\$39,505	\$40,691	\$41,911	\$43,169	\$44,464	\$45,798	\$47,171
Full Time Assistant\Mechanic	\$28,080	\$48,204	\$49,650	\$51,140	\$52,674	\$54,254	\$55,882	\$57,558	\$59,285	\$61,063	\$62,895
Full Time Laborer	\$74,880	\$128,544	\$132,400	\$136,372	\$140,463	\$144,677	\$149,018	\$153,488	\$158,093	\$162,836	\$167,721
Part Time Laborer	\$8,775	\$15,064	\$15,516	\$15,981	\$16,461	\$16,954	\$17,463	\$17,987	\$18,527	\$19,082	\$19,655
Full Time Seasonal Laborer	\$25,200	\$43,260	\$44,558	\$45,895	\$47,271	\$48,690	\$50,150	\$51,655	\$53,204	\$54,800	\$56,444
Part Time Seasonal Labor	\$5,040	\$8,652	\$8,912	\$9,179	\$9,454	\$9,738	\$10,030	\$10,331	\$10,641	\$10,960	\$11,289
Total	\$246,235	\$365,573	\$376,540	\$387,836	\$399,471	\$411,455	\$423,799	\$436,513	\$449,608	\$463,097	\$476,990
Taxes	\$43,091	\$63,975	\$65,894	\$67,871	\$69,907	\$72,005	\$74,165	\$76,390	\$78,681	\$81,042	\$83,473
Benefits	\$20,722	\$29,860	\$30,755	\$31,678	\$32,629	\$33,607	\$34,616	\$35,654	\$36,724	\$37,825	\$38,960
Uniforms	\$2,300	\$2,369	\$2,440	\$2,513	\$2,589	\$2,666	\$2,746	\$2,829	\$2,914	\$3,001	\$3,091
Total	\$312,348	\$461,777	\$475,630	\$489,899	\$504,596	\$519,734	\$535,326	\$551,386	\$567,927	\$584,965	\$602,514

Source: THK Associates, Inc.

**Table IX-9: Recommended Pro Shop Department Staffing for the South Padre Golf Course**

Position	2007				2008				2009			
	Number	Wage	Annual Hours/Yr	Salary	Number	Wage	Annual Hours/Yr	Salary	Number	Wage	Annual Hours/Yr	Salary
Head Professional	1	\$32.50	2,080	\$67,600	1	\$33.48	2,080	\$69,628	1	\$34.48	2,080	\$71,717
Assistant Pros	2	\$15.00	4,160	\$62,400	2	\$15.45	4,160	\$64,272	2	\$15.91	4,160	\$66,200
Pro Shop Personnel	3	\$8.00	3,120	\$24,960	3	\$8.24	3,120	\$25,709	3	\$8.49	3,120	\$26,480
Part-Time Pro Shop Staff	1	\$7.00	780	\$5,460	1	\$7.21	780	\$5,624	1	\$7.43	780	\$5,793
Cart, Range Personnel	2	\$7.00	2,080	\$14,560	2	\$7.21	2,080	\$14,997	2	\$7.43	2,080	\$15,447
Starters	2	\$7.00	1,200	\$8,400	2	\$7.21	1,200	\$8,652	2	\$7.43	1,200	\$8,912
Rangers	2	\$7.00	1,200	\$8,400	2	\$7.21	1,200	\$8,652	2	\$7.43	1,200	\$8,912
Total	13	\$11.93	14,620	\$191,780	13	\$12.29	14,620	\$197,533	13	\$12.66	14,620	\$203,459
Taxes				\$33,562				\$34,568				\$35,605
Benefits				\$6,760				\$6,963				\$7,172
Uniforms				\$1,300				\$1,339				\$1,379
Total				\$233,402				\$240,404				\$247,616

Source: THK Associates, Inc.

**Table IX-10: Pro Shop Staffing for the South Padre Golf Course**

Position	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Full Year									
Head Professional	\$67,600	\$69,628	\$71,717	\$73,868	\$76,084	\$78,367	\$80,718	\$83,139	\$85,634	\$88,203
Assistant Pros	\$62,400	\$64,272	\$66,200	\$68,186	\$70,232	\$72,339	\$74,509	\$76,744	\$79,046	\$81,418
Pro Shop Personnel	\$24,960	\$25,709	\$26,480	\$27,274	\$28,093	\$28,935	\$29,804	\$30,698	\$31,619	\$32,567
Part-Time Pro Shop Staff	\$5,460	\$5,624	\$5,793	\$5,966	\$6,145	\$6,330	\$6,520	\$6,715	\$6,917	\$7,124
Cart, Range Personnel	\$14,560	\$14,997	\$15,447	\$15,910	\$16,387	\$16,879	\$17,385	\$17,907	\$18,444	\$18,997
Starters	\$8,400	\$8,652	\$8,912	\$9,179	\$9,454	\$9,738	\$10,030	\$10,331	\$10,641	\$10,960
Rangers	\$8,400	\$8,652	\$8,912	\$9,179	\$9,454	\$9,738	\$10,030	\$10,331	\$10,641	\$10,960
Total	\$191,780	\$197,533	\$203,459	\$209,563	\$215,850	\$222,326	\$228,995	\$235,865	\$242,941	\$250,229
Taxes	\$33,562	\$34,568	\$35,605	\$36,674	\$37,774	\$38,907	\$40,074	\$41,276	\$42,515	\$43,790
Benefits	\$6,760	\$6,963	\$7,172	\$7,387	\$7,608	\$7,837	\$8,072	\$8,314	\$8,563	\$8,820
Uniforms	\$1,300	\$1,339	\$1,379	\$1,421	\$1,463	\$1,507	\$1,552	\$1,599	\$1,647	\$1,696
Total	\$233,402	\$240,404	\$247,616	\$255,044	\$262,695	\$270,576	\$278,694	\$287,054	\$295,666	\$304,536

Source: THK Associates, Inc.

**Table IX-11: Recommended Concessions Area Staffing for the South Padre Golf Course**

Position	2007				2008				2009			
	Number	Wage	Annual Hours/Yr	Salary	Number	Wage	Annual Hours/Yr	Salary	Number	Wage	Annual Hours/Yr	Salary
Manager/Head Cook	1	\$20.00	2,080	\$41,600	1	\$20.60	2,080	\$42,848	1	\$21.22	2,080	\$44,133
Bartender/Server	2	\$7.00	1,560	\$10,920	2	\$7.21	1,560	\$11,248	2	\$7.43	1,560	\$11,585
Part Time Cook	1	\$7.00	1,560	\$10,920	1	\$7.21	1,560	\$11,248	1	\$7.43	1,560	\$11,585
Server	2	\$4.50	2,340	\$10,530	2	\$4.64	2,340	\$10,846	2	\$4.77	2,340	\$11,171
Snack Personnel	5	\$7.00	5,200	\$36,400	5	\$7.21	5,200	\$37,492	5	\$7.43	5,200	\$38,617
Dishwasher	1	\$6.50	1,040	\$6,760	1	\$6.70	1,040	\$6,963	1	\$6.90	1,040	\$7,172
Total	12	\$8.67	13,780	\$117,130	12	\$8.93	13,780	\$120,644	12	\$9.19	13,780	\$124,263
Taxes				\$20,498				\$21,113				\$21,746
Benefits				\$4,160				\$4,285				\$4,413
Uniforms				\$1,200				\$1,236				\$1,273
Total				\$142,988				\$147,277				\$151,696

Source: THK Associates, Inc.

**Table IX-12: Concession Staffing Summary for the South Padre Golf Course**

Position	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Full Year									
Manager/Head Cook	\$41,600	\$42,848	\$44,133	\$45,457	\$46,821	\$48,226	\$49,673	\$51,163	\$52,698	\$54,279
Bartender/Server	\$10,920	\$11,248	\$11,585	\$11,933	\$12,291	\$12,659	\$13,039	\$13,430	\$13,833	\$14,248
Part Time Cook	\$10,920	\$11,248	\$11,585	\$11,933	\$12,291	\$12,659	\$13,039	\$13,430	\$13,833	\$14,248
Server	\$10,530	\$10,846	\$11,171	\$11,506	\$11,852	\$12,207	\$12,573	\$12,951	\$13,339	\$13,739
Snack Personnel	\$36,400	\$37,492	\$38,617	\$39,775	\$40,969	\$42,198	\$43,464	\$44,767	\$46,110	\$47,494
Dishwasher	\$6,760	\$6,963	\$7,172	\$7,387	\$7,608	\$7,837	\$8,072	\$8,314	\$8,563	\$8,820
Total	\$117,130	\$120,644	\$124,263	\$127,991	\$131,831	\$135,786	\$139,859	\$144,055	\$148,377	\$152,828
Taxes	\$20,498	\$21,113	\$21,746	\$22,398	\$23,070	\$23,763	\$24,475	\$25,210	\$25,966	\$26,745
Benefits	\$4,160	\$4,285	\$4,413	\$4,546	\$4,682	\$4,823	\$4,967	\$5,116	\$5,270	\$5,428
Uniforms	\$1,200	\$1,236	\$1,273	\$1,311	\$1,351	\$1,391	\$1,433	\$1,476	\$1,520	\$1,566
Total	\$142,988	\$147,277	\$151,696	\$156,247	\$160,934	\$165,762	\$170,735	\$175,857	\$181,133	\$186,567

Source: THK Associates, Inc.

**Table IX-13: Operating Costs for the South Padre Golf Course**

<b>GOLF COURSE OPERATING EXPENSES</b>	<b>2005 Cost</b>	<b>2007 Cost</b>	<b>MANAGEMENT EXPENSES</b>	<b>2005 Cost</b>	<b>2007 Cost</b>
Vegetation Maintenance	\$10,530	\$11,170	Supplies	\$3,600	\$3,820
Grass, Seed, Sod	\$7,800	\$8,280	Dues/Subscriptions	\$1,200	\$1,270
Overseeding	\$30,000	\$31,830	Printing	\$2,400	\$2,550
Bunker Maintenance	\$4,050	\$4,300	Travel and Training	\$1,800	\$1,910
Sand, Fill, Soil	\$10,730	\$11,380	Consultant Fees	\$4,500	\$4,770
Fertilizer	\$29,250	\$31,030	Licences and Fees	\$2,500	\$2,650
Chemicals	\$15,600	\$16,550	Accounting	\$8,500	\$9,020
Irrigation System Repairs	\$9,360	\$9,930	Insurance	\$55,000	\$58,350
Cart Paths	\$8,410	\$8,920	Computers	\$4,500	\$4,770
Practice Range Maintenance	\$6,750	\$7,160	Advertising	\$45,000	\$47,740
Range Balls	\$1,050	\$1,110			
Drainage	\$3,900	\$4,140			
<b>Total</b>	<b>\$137,430</b>	<b>\$145,800</b>	<b>Total</b>	<b>\$129,000</b>	<b>\$136,850</b>

<b>GOLF COURSE UTILITIES</b>	<b>2005 Cost</b>	<b>2007 Cost</b>	<b>MAINTENANCE COURSE EQUIPMENT</b>	<b>2005 Cost</b>	<b>2007 Cost</b>
Domestic Electricity	\$3,000	\$3,180	Trucks	\$4,200	\$4,460
Domestic Water	\$3,600	\$3,820	Tractors	\$12,000	\$12,730
Domestic Gas	\$3,720	\$3,950	Mowers	\$2,880	\$3,060
Maintenance Building Utilities	\$625	\$660	Miscellaneous Tools	\$1,200	\$1,270
Irrigation, Power & Pumping	\$125,000	\$132,610	Other Vehicles	\$2,500	\$2,650
Trash Removal	\$1,200	\$1,270	Petroleum, Oil, Lubricants	\$10,000	\$10,610
Sewer	\$910	\$970	Equipment Rental	\$1,900	\$2,020
Telephone	\$2,400	\$2,550	Cart Maintenance	\$6,750	\$7,160
<b>Total</b>	<b>\$140,455</b>	<b>\$149,010</b>	<b>Total</b>	<b>\$41,430</b>	<b>\$43,960</b>

<b>CLUBHOUSE EXPENSES</b>	<b>2005 Cost</b>	<b>2007 Cost</b>
Building Maintenance	\$6,475	\$6,870
Equipment	\$3,700	\$3,930
Supplies	\$1,850	\$1,960
Maintenance Building	\$2,500	\$2,650
<b>Total</b>	<b>\$14,525</b>	<b>\$15,410</b>

Source: THK Associates, Inc.

**Table IX-14: Summary of Operating Costs at the South Padre Golf Course**

Year	Golf Course Maintenance Payroll	Golf Course Operating Expenses	Management Expenses	Golf Course Utilities	Golf Course Equipment Maintenance	Clubhouse Expenses
2007	\$461,777	\$145,800	\$136,850	\$149,010	\$43,960	\$15,410
2008	\$475,630	\$150,174	\$140,956	\$153,480	\$45,279	\$15,872
2009	\$489,899	\$154,679	\$145,185	\$158,084	\$46,637	\$16,348
2010	\$504,596	\$159,319	\$149,541	\$162,827	\$48,036	\$16,838
2011	\$519,734	\$164,099	\$154,027	\$167,712	\$49,477	\$17,343
2012	\$535,326	\$169,022	\$158,648	\$172,743	\$50,961	\$17,863
2013	\$551,386	\$174,093	\$163,407	\$177,925	\$52,490	\$18,399
2014	\$567,927	\$179,316	\$168,309	\$183,263	\$54,065	\$18,951
2015	\$584,965	\$184,695	\$173,358	\$188,761	\$55,687	\$19,520
2016	\$602,514	\$190,236	\$178,559	\$194,424	\$57,358	\$20,106

Year	Pro Shop Payroll	Pro Shop Inventory /1	Concession Payroll	Concession Inventory /2	Property Taxes	Total Course Expenses
2007	\$233,402	\$104,853	\$142,988	\$86,658	\$0	\$1,520,707
2008	\$240,404	\$130,950	\$147,277	\$108,227	\$0	\$1,608,249
2009	\$247,616	\$148,932	\$151,696	\$123,089	\$0	\$1,682,164
2010	\$255,044	\$157,188	\$156,247	\$129,912	\$0	\$1,739,548
2011	\$262,695	\$166,581	\$160,934	\$137,675	\$0	\$1,800,277
2012	\$270,576	\$176,396	\$165,762	\$145,787	\$0	\$1,863,084
2013	\$278,694	\$186,650	\$170,735	\$154,262	\$0	\$1,928,040
2014	\$287,054	\$197,360	\$175,857	\$163,114	\$0	\$1,995,216
2015	\$295,666	\$208,545	\$181,133	\$172,358	\$0	\$2,064,688
2016	\$304,536	\$220,224	\$186,567	\$182,010	\$0	\$2,136,533

1\ Assumes Pro Shop Costs of Goods are 65% of Revenues

2\ Assumes Concession Costs of Goods are 35% of Revenues

3\ 3.0% rate of Inflation

Source: THK Associates, Inc.

### **C. Financing Costs, Net Operating Income, and Debt and Finance Expense Summary**

The machinery that is necessary to maintain the 18-hole golf course will need to be acquired or leased. This machinery can be purchased outright if sufficient capital exists, purchased via a lease purchase agreement, or leased. If leased, the lease period will begin in the year before the golf course opens. This time period is known as the maturation or grow-in period. Finance expenses for short-term capital equipment will begin at \$86,291 in 2006 and rise to \$154,668 in 2011 and continue through 2016.

A summary of operating revenue and total operating expenses is displayed in Table IX-16. This information is used to derive the net operating income and the concurrent cumulative operating income for the golf course. The net income of \$148,201 in 2007 will grow to an operating income of \$1,507,369 by 2016.

Table IX-18 calculates the net present value of the income stream, which a private investor would look at to value the potential facility. The income produces a present value of \$7,148,320 using an 11.5% capitalization rate and 13.0% discount rate.

**Table IX-15: Summary of Short Term Asset Financing Costs  
at the South Padre Golf Course**

Year	Carts Needed	Golf Cart Finance Expenses	Maintenance Machinery Finance Expenses	Total Finance Expenses
2006	0	\$0	\$86,291	\$86,291
2007	75	\$54,633	\$86,291	\$140,924
2008	75	\$54,633	\$86,291	\$140,924
2009	75	\$54,633	\$86,291	\$140,924
2010	75	\$54,633	\$86,291	\$140,924
2011	75	\$54,633	\$100,035	\$154,668
2012	75	\$54,633	\$100,035	\$154,668
2013	75	\$54,633	\$100,035	\$154,668
2014	75	\$54,633	\$100,035	\$154,668
2015	75	\$54,633	\$100,035	\$154,668
2016	75	\$54,633	\$100,035	\$154,668

- 1\ Cart Price is estimated at \$3,200 each and leased to own over a 3 year term with 8 payments annually
- 2\ Carts will be owned after three years and will be replaced when they are seven to ten years old
- 3\ Maintenance machinery is estimated at \$300,000 and will be leased to own over a 5 year term with 8 payments annually

Source: THK Associates, Inc.

**Table IX-16: Net Operating Income for the South Padre Golf Course**

Year	Golf Operating Revenue	Golf Operating Expenses	Equipment Leasing Expenses	Management Fees	Net Operating Income
2007	\$1,885,242	\$1,520,707	\$140,924	\$75,410	\$148,201
2008	\$2,354,268	\$1,608,249	\$140,924	\$94,171	\$510,924
2009	\$2,677,325	\$1,682,164	\$140,924	\$107,093	\$747,144
2010	\$2,825,517	\$1,739,548	\$140,924	\$113,021	\$832,024
2011	\$2,994,118	\$1,800,277	\$154,668	\$119,765	\$919,408
2012	\$3,170,285	\$1,863,084	\$154,668	\$126,811	\$1,025,722
2013	\$3,354,322	\$1,928,040	\$154,668	\$134,173	\$1,137,441
2014	\$3,546,542	\$1,995,216	\$154,668	\$141,862	\$1,254,796
2015	\$3,747,270	\$2,064,688	\$154,668	\$149,891	\$1,378,024
2016	\$3,956,844	\$2,136,533	\$154,668	\$158,274	\$1,507,369
Growth Rate:	8.6%	3.9%	1.0%		

- 1\ Management Fees = 4% of revenues

Source: THK Associates, Inc.

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**TABLE IX-17: DISCOUNTED CASH FLOW ANALYSIS FOR THE 18-HOLE SOUTH PADRE GOLF COURSE**

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Operating Income	\$148,201	\$510,924	\$747,144	\$832,024	\$919,408	\$1,025,722	\$1,137,441	\$1,254,796	\$1,378,024	\$1,507,369
Reversion										\$13,107,556
Annual Present Value	\$116,063	\$354,096	\$458,237	\$451,590	\$441,609	\$435,994	\$427,860	\$417,702	\$405,950	\$392,968
Discount Rate	13.0%									
Present Value of Income Stream	<b>\$3,902,070</b>									
<u>Reversion</u>										
10th Year Revenues	\$3,956,844									
10th Year Expenses	\$2,449,475									
10th Year Net Income	\$1,507,369									
Cap Rate	11.5%									
Net sales Price *	\$12,452,179									
Present Value of Reversion Sale	<b>\$3,246,250</b>									
Total Present Value	<b>\$7,148,320</b>									

\* 11.5% cap rate minus 5% cost of sale

Source: THK Associates, Inc.

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## **X. THE POTENTIAL FOR ADDITIONAL MARINA DEVELOPMENT ON SOUTH PADRE ISLAND**

Substantial permanent population and visitor growth on South Padre may create demand for additional marina facilities. Generally, people participating in boating grew to 69 million in 2004 and this represented an increase of 0.4% over the 68.7 million people that participated in boating in 2003. Today, 2.4% of the U.S. population participate in boating.

Year	Boating Population in Millions
1989	73.3
1990	73.4
1991	73.5
1992	74.3
1993	75.2
1994	76.1
1995	76.8
1996	77.7
1997	78.4
1998	74.8
1999	70.8
2000	68.9
2001	68
2002	71.6
2003*	68.7
2004**est.	69
<i>*Updated June 2004</i>	
<i>**NMMA estimates</i>	
Source: National Marine Manufacturers Association	

The number of boats in use has grown to 17.61 million and this is an annual increase of 1.4% over the 16.23 million boats that existed in the U.S. in 1997. Since 1997, approximately 197,200 new boats have been added annually in the U.S. and in 2003, a total of 250,000 boats were added to the U.S. inventory of boats. Table X-2 demonstrates total boats in the U.S. by type and that, today, approximately 73% of boats are registered.

**Table X-2: Recreational Boast in Use by Boat Type**

Year	Outboard Boats (Millions)	Inboard Boats (Millions)	Sterndrive Boats (Millions)	Personal Watercraft (Millions)	Sailboats (Millions)	Other (Millions)	Total (Millions)	Registered Boats (Millions)
1997	8.13	1.59	1.58	1.0	1.65	2.29	16.23	12,056,975
1998	8.19	1.61	1.62	1.1	1.67	2.16	16.65	12,309,724
1999	8.21	1.63	1.67	1.18	1.65	2.19	16.52	12,565,981
2000	8.29	1.66	1.71	1.24	1.64	2.28	16.82	12,735,612
2001	8.34	1.69	1.74	1.29	1.63	2.35	17.03	12,782,143
2002	8.38	1.71	1.77	1.35	1.61	2.51	17.34	12,876,346
2003	8.42	1.74	1.79	1.42	1.6	2.53	17.36	12,854,054
2004	8.48	1.75	1.82	1.48	1.58	2.5	17.61	12,794,616

Source: National Marine Manufacturers Association

The top 10 states for boat registration are demonstrated in Table X-3. These 10 states include approximately 6.6 million boats and account for 52% of all registered boats in the U.S.

**Table X-3: Top 10 States in Boat Registration for 2003**

Ranking	State	2003	% of Total
1	California	963,379	7.2%
2	Michigan	953,554	7.5%
3	Florida	939,968	7.3%
4	Minnesota	845,379	6.6%
5	Texas	619,088	4.8%
6	Wisconsin	610,800	4.8%
7	New York	528,094	4.1%
8	Ohio	413,048	3.2%
9	South Carolina	380,314	3.0%
10	Illinois	360,252	2.8%
	U.S. Total	12,794,616	

Source: National Marine Manufacturers Association

The State of Texas has 619,088 registered boats and accounts for 4.8% of the total U.S. registered boats. Table X-4 demonstrates that boat registrations in Texas have increased by 1,100 boats annually since 1996.

**Table X-4: Registered Boats in the State of Texas, 1996-2003**

Year	Texas Registered Boats	Annual Change
1996	611,374	
1997	615,438	4,064 (0.7%)
1998	625,754	10,316 (1.7%)
1999	629,640	3,886 (0.6%)
2000	626,761	-2,879 (-0.4%)
2001	621,244	-5,517 (-0.8%)
2002	624,390	3,146 (0.5%)
2003	619,088	-5,302 (-0.8%)
Avg. Annual Change		1,100 (0.2%)

Source: Texas Department of Parks and Wildlife

In Texas today there are 36 people, or 12.7 households, per registered boat. This is contrasted to the U.S. total where there are 73 people, or 8.1 households, per craft.

As demonstrated earlier, in the South Padre Island catchment area, there are currently 1,119,132 households and these are projected to grow to 1,488,032 by 2015, a growth of 36,900 households per year, an annual growth rate of 2.9%. With a ratio of 12.7 households per boat, currently it is estimated that the South Padre Island catchment area has 88,120 boats. This will grow to 117,170 by 2015, an annual increase of 2,905 boats.

Table X-5 demonstrates that, currently, Cameron County has 850 boat storage spaces, which represents 1.0% of all boats estimated to be within the South Padre Island catchment area. Of this total, 523, or 63%, occur on South Padre Island. Cameron County is projected to capture 2% of the projected growth in demand for boats in the South Padre Island catchment area and annually will enjoy a market for approximately 60 boat slips per year, and 580 by 2015. South Padre Island should capture 40% of the projected market for boat slips in Cameron County and annually it will enjoy a market for 25 marina slips per year, and a total of 250 by 2015. Of this total, 90 should be wet slips with the balance in dry stocks.

**TABLE X-5: Inventory of Marinas on South Padre Island and Cameron County**

<b>Name</b>	<b>Location</b>	<b>Phone</b>	<b>Wet Slips</b>	<b>Monthly Cost</b>	<b>Dry Stacks</b>	<b>Monthly Cost</b>	<b>Amenities</b>
<b>South Padre Island</b>							
1 Sea Ranch Marina	Laguna Madre Bay	956-761-7777	64	\$300+	408	\$165	Gas, Convenience Store
2 Jim's Pier	209 W. Whiting	956-761-2865	27	\$360	0	NA	Gas & Convenience Store
3 Fisherman Wharf	West Whiting (next to Jim's)	956-761-7818	24	\$175	0	NA	Convenience Store, Motel
<b>Total South Padre</b>			<b>115</b>		<b>408</b>		
<b>Other Cameron County</b>							
4 Sea Ranch II (Southpoint)	Southpoint in Port Isabel	956-761-7777	41	\$300	150	\$165	Convenience Store
5 Anchor Marina	Lanuna Madre Bay Port Isabel	956-943-9323	51	\$150	0	NA	Privately Owned
6 Port Isabel Municipal Dock	"The Fingers" Port Isabel	956-943-2682	5	\$300	0	NA	150' Dock Space, electrical hook-up
7 Harvey Courts	Port Isabel	956-943-7881	14	\$250	4	\$150	
8 White Sands Marina	Port Isabel	956-943-6161	19	\$240	0	NA	Motel & Restaurant
9 Tarpon RV Park & Marina	Port Isabel	956-943-2040	21	\$60	0	NA	
10 Del Mar Trailer Park	Port Isabel	956-551-6082	12	\$75	0	NA	RV Park, Convenience Store
11 R&R Hi-Way Bait & Tackle	Port Isabel	956-943-6311	0	NA	10	\$100	
<b>Cameron County Total</b>			<b>278</b>		<b>572</b>		

Source: THK Associates, Inc.

## **XI. SUMMARY OF LAND USE RECOMMENDATIONS**

The previous market analysis has demonstrated development potentials that will evolve over the next decade on South Padre Island. These potentials have been studied under distinct classifications including residential, hotel and lodging, recreational vehicle, retail commercial, office and flex space, golf course and marina. Residential potentials were distinguished at single-family, townhome and condominiums, and rental apartments. The hotel and lodging markets were distinguished as full service and limited service. THK's research has established that, annually, South Padre Island will experience an annual demand for 65 units and over the next decade, total demand will be for 650 units. With the average lot size at 6,000 sq. ft. per unit, the average density will be 4 units per acre and 165 acres will be needed to accommodate the single-family demand. Single-family development will generally occur on the interior of the Island and the north region of the Island will be needed to accommodate this acreage.

Townhome and condominium development is projected to average approximately 135 units per year and 1,330 total units over the next decade. THK projects that 6-8 midrise to highrise structures will be built with 600 units on a total of 10 acres, at a pace of 60-80 per year. These will be beachfront condominiums and occur in the south central portion of the Island. A total of 400 units should be built on a total of 20 acres and 40 units per year should be anticipated as the rate of absorption. Townhomes are projected to absorb at a pace of 35 units per year and 330 units are recommended for 30 acres. The rental apartment market is projected to average from 15-20 units per year over the next decade, and a total of 190 units have been recommended on 10 acres. It is recommended that these be considered to be incorporated into the town center and may even be developed in a mixed-use configuration above the retail.

Additional recreational vehicle spaces will be needed on South Padre Island over the next decade. A demand for 156 sites on 15 acres has been identified. Development of these facilities should be considered north of existing development to balance with the recreational vehicle park that occurs on the south.

Hotel and lodging on South Padre Island is projected to grow annually over the next decade by approximately 70 units per year and, in total, 682 additional units will be needed by 2015. THK has recommended that 3 full service hotels with 455 rooms be developed on a total of 12 acres. These should occur in the mid-central area of development on the beach frontage, adjacent to the convention center or at the recommended golf course. Additionally, the 227 rooms should be developed as 3 limited service hotels and these will likely be developed north along Padre Boulevard.

The retail commercial market on South Padre Island is projected to grow by approximately 30,000 sq. ft. per year over the next decade. In total, 280,000 sq. ft. of retail space will be needed to house the market by 2015. Under conventional development systems, 30 acres of land would be required to accommodate this demand. This construction will include 15 new convenience and specialty food stores, 10 new apparel stores, 25 new restaurants, and 65 miscellaneous retail commercial stores. It would be very exciting if the community of South Padre Island would take these prospects and complement them with community, administrative and recreational facilities, arts and crafts galleries, and other uses to create a special, mixed-use, urban place and town center. This town center should be located at "Main Street and Main Street" and may be located where it could link the "bay to the beach". Housing, both rental and ownership, would be located above ground floor retail, and office and flex space could also be incorporated into the concept.

The office/flex market on South Padre Island will average an annual demand for 11,800 sq. ft. and, over the next decade, 13 acres of land will be needed to accommodate the office/flex market. This space will be developed along Padre Boulevard and it would be strategic if this space could be developed in conjunction with the retail space in a town center configuration.

THK has prepared a market analysis of the golf potential on South Padre Island. This research has established that there is a need for an additional 18-hole golf course that would require approximately 200 acres. This recreational use would need to be developed north of the existing development and it could be a tremendous asset reinforcing residential, as well as hotel and lodging development. It would be extremely beneficial if the golf course could be developed in conjunction with a resort hotel of from 200 to 300 rooms.

Additional marina facilities should also be constructed on South Padre Island. Currently, 523 slips, including 115 wet slips, exist on South Padre Island, an additional 850 slips with 278 wet slips exist in Cameron County overall. Cameron County is projected to experience a demand for 60 boat storage slips per year and 580 total slips by 2015. South Padre Island should capture 40% of this projected market in Cameron County and annually enjoy a market for 25 boat slips per year, or 250 in total by 2015. Of this total, 90 should be wet slips with the balance in dry stacks.

**Table XI-1: South Padre Island Land Area Demand by 2015**

<b>Land Use</b>	<b>Units/Improvements</b>	<b>Land Area</b>
<b>I. Single Family</b>	650	165 acres
<b>II. Townhome/Condos</b>		
Mid to Highrise Condo	600 (6-8 structures)	10 acres
Lowrise Condo	400	20 acres
Townhomes	330	30 acres
Total Townhome/Condo	1,330	60 acres
<b>III. Rental Apartments</b>	190 units	10 acres
<b>IV. Recreational Vehicle</b>	156 spaces	15 acres
<b>V. Hotel/Lodging Sites</b>		26.0
Full Service	455 rooms (3)	12 acres
Limited Service	227 rooms (3)	6 acres
Total Hotel	682 rooms	18 acres
<b>VI. Retail Commercial</b>	280,000 sq. ft.	30 acres
<b>VII. Office/Flex</b>	118,000 sq. ft.	13 acres
<b>VIII. Golf Course</b>	18 holes	200 acres
<b>IX. Public Marina Land Area</b>	250 boat slips with 90 wet and 160 dry stack	10 acres
<b>Total Land Area</b>		<b>521 acres</b>
<b>Total Urban Land Area Excluding Golf Course</b>		<b>321 acres</b>

Source: THK Associates, Inc.

## **XII. FISCAL IMPACT ANALYSIS**

This section of the analysis has examined the fiscal impacts that could be expected from the development opportunities over the next decade. As shown in the market feasibility section of this analysis there is demand for a variety of uses on South Padre Island over the next ten years.

In order to estimate the fiscal impacts, a number of key assumptions were made. These assumptions are detailed as follows:

### **Inflation Rate**

A 3.5% rate of inflation has been applied to all revenues and expense items in estimating fiscal impacts to the Town of South Padre Island.

### **Residential Development**

- 650 single-family units at \$250,000 per unit market value.
- 1,330 townhome/condominium units (including timeshare and fractional) at \$175,000 per unit market value.
- 190 rental multi-family units at \$100,000 per unit market value.

### **Retail Lodging, and Office Development**

- 279,208 square feet of retail space at \$115 per square foot market value.
- 682 new lodging units at \$75,000 per room, 120 new RV sites and 45% of townhome/condo units will be added to the bed base.
- The lodging units and townhome/condo units in the rental pool have been adjusted for 48% occupancy and the RV spaces are adjusted for 44% occupancy.
- Average daily rates for lodging and townhome/condominium sites will be \$120 and the average daily rate for RV site will be \$30 per day.

### **Retail and Golf Spending**

- Retail expenditures on South Padre Island will increase by \$4,4754,575 in 2005 and this will grow to an additional \$66,092,692 by 2015.
- Expenditures at the proposed golf facility will range from \$1,885,242 in 2007 to \$3,956,844 by 2015.

### **Tax Rates**

- Real estate tax rates will remain at \$.25811 per \$100 of market value.
- The lodging tax rate will decrease from 7.5% to 7.0% after 2005. Of that total 4.5% is directed towards the hotel/motel fund, 2.5% is directed to the convention center, and

0.5% is used for the Padre Boulevard landscaping. The 0.5% tax for Padre Boulevard landscaping expires at the end of 2005.

- Retail sales taxes, lodging taxes, and property taxes make up approximately 85% of all revenues received.

## **Expenditures**

The 2004/2005 South Padre Island estimates total expenditures by the town for all categories of approximately \$15.5 million dollars. With just under 8,000,000 million daily visitors to south Padre Island last year, expenditures average \$1.92 per visitor. With visitors making up the largest portion of activity on the island, we have used future visitors as a measure of additional expenditures.

## **Summary of Fiscal Findings**

By applying these assumptions to the recommended land use model, THK Associates, Inc. has estimated future revenues and expenditures that can be expected over the next decade. The recommended land use model for the next decade of growth could result in surplus revenues of \$27,826,398. This would suggest that the market forces and land use recommendations are complementary to each other and planning can proceed with some degree of fiscal certainty.

Overall, over \$584 million in residential value and over \$373 million in commercial value will be added to South Padre Island over the next decade, exclusive of the golf course and other public improvements.

**TABLE XII-1: ESTIMATED ECONOMIC IMPACTS FROM NEW RESIDENTIAL DEVELOPMENT ON SOUTH PADRE ISLAND, 2005-2015**

Year	Additional Housing										
	Cumulative Single Family	Average Value	Cumulative Townhomes/ Condos	Average Value	Cumulative Rental Multi-Family	Average Value	Total Value Added	Taxable Value	Tax Rate	Additional Property Taxes	
										Annual	Cumulative
2005	50	\$250,000	109	\$175,000	14	\$100,000	\$32,975,000	\$329,750	\$0.25811	\$85,112	\$85,112
2006	101	\$258,750	222	\$181,125	29	\$103,500	\$69,345,000	\$693,450	\$0.25811	\$178,986	\$264,098
2007	154	\$267,806	339	\$187,464	44	\$107,123	\$109,505,976	\$1,095,060	\$0.25811	\$282,646	\$546,744
2008	209	\$277,179	460	\$194,026	60	\$110,872	\$153,834,605	\$1,538,346	\$0.25811	\$397,062	\$943,807
2009	268	\$286,881	587	\$200,817	77	\$114,752	\$203,599,268	\$2,035,993	\$0.25811	\$525,510	\$1,469,317
2010	328	\$296,922	716	\$207,845	94	\$118,769	\$257,371,622	\$2,573,716	\$0.25811	\$664,302	\$2,133,618
2011	389	\$307,314	850	\$215,120	112	\$122,926	\$316,164,470	\$3,161,645	\$0.25811	\$816,052	\$2,949,671
2012	452	\$318,070	989	\$222,649	131	\$127,228	\$380,634,148	\$3,806,341	\$0.25811	\$982,455	\$3,932,125
2013	517	\$329,202	1,132	\$230,442	150	\$131,681	\$450,809,574	\$4,508,096	\$0.25811	\$1,163,585	\$5,095,710
2014	587	\$340,724	1,283	\$238,507	170	\$136,290	\$529,178,970	\$5,291,790	\$0.25811	\$1,365,864	\$6,461,574
2015	650	\$352,650	1,330	\$246,855	190	\$141,060	\$584,340,537	\$5,843,405	\$0.25811	\$1,508,241	\$7,969,815
<b>TOTAL</b>	<b>650</b>	<b>--</b>	<b>1,330</b>	<b>--</b>	<b>190</b>	<b>--</b>	<b>\$584,340,537</b>	<b>\$5,843,405</b>	<b>--</b>	<b>\$7,969,815</b>	<b>\$7,969,815</b>

Source: THK Associates, Inc.

**TABLE XII-2: ESTIMATED ECONOMIC IMPACTS FROM NEW RETAIL (PROPERTY TAXES) DEVELOPMENT ON SOUTH PADRE ISLAND, 2005-2015**

Retail Space							
Year	Cumulative Retail Sq.Ft.	Average Value	Total Value Added	Taxable Value	Tax Rate	Additional Property Taxes	
						Annual	Cumulative
2005	0	\$115	\$0	\$0	\$0.25811	\$0	\$0
2006	0	\$119	\$0	\$0	\$0.25811	\$0	\$0
2007	29,340	\$123	\$3,614,420	\$36,144	\$0.25811	\$9,329	\$9,329
2008	58,680	\$128	\$7,481,850	\$74,818	\$0.25811	\$19,311	\$28,641
2009	88,020	\$132	\$11,615,572	\$116,156	\$0.25811	\$29,981	\$58,622
2010	117,360	\$137	\$16,029,489	\$160,295	\$0.25811	\$41,374	\$99,995
2011	149,730	\$141	\$21,166,486	\$211,665	\$0.25811	\$54,633	\$154,628
2012	182,100	\$146	\$26,643,436	\$266,434	\$0.25811	\$68,769	\$223,397
2013	214,470	\$151	\$32,477,844	\$324,778	\$0.25811	\$83,829	\$307,226
2014	246,840	\$157	\$38,688,022	\$386,880	\$0.25811	\$99,858	\$407,084
2015	279,208	\$162	\$45,292,803	\$452,928	\$0.25811	\$116,905	\$523,989
<b>TOTAL</b>	<b>279,208</b>	<b>--</b>	<b>\$203,009,923</b>	<b>\$2,030,099</b>	<b>--</b>	<b>\$523,989</b>	<b>\$523,989</b>

Source: THK Associates, Inc.

**TABLE XII-3: ESTIMATED ECONOMIC IMPACTS FROM NEW LODGING DEVELOPMENT ON SOUTH PADRE ISLAND, 2005-2015**

Year	Lodging Units										Total New Revenues	
	Cumulative Hotel Rooms	Average Value	Total Value Added	Taxable Value	Tax Rate	Additional Property Taxes	Additional Lodging Revenue,1	Lodging Tax Rate	Additional Lodging Taxes	Annual	Cumulative	
	2005	54	\$75,000	\$4,050,000	\$40,500	\$0.25811	\$10,453	\$1,135,296	7.5%	\$85,147	\$95,601	\$95,601
2006	111	\$77,625	\$8,616,375	\$86,164	\$0.25811	\$22,240	\$2,415,342	7.0%	\$169,074	\$191,314	\$286,914	
2007	169	\$80,342	\$13,577,777	\$135,778	\$0.25811	\$35,046	\$4,687,028	7.0%	\$328,092	\$363,138	\$650,052	
2008	228	\$83,154	\$18,959,076	\$189,591	\$0.25811	\$48,935	\$7,138,083	7.0%	\$499,666	\$548,601	\$1,198,653	
2009	289	\$86,064	\$24,872,561	\$248,726	\$0.25811	\$64,199	\$9,803,221	7.0%	\$686,225	\$750,424	\$1,949,077	
2010	351	\$89,076	\$31,265,842	\$312,658	\$0.25811	\$80,700	\$12,671,144	7.0%	\$886,980	\$967,680	\$2,916,757	
2011	414	\$92,194	\$38,168,378	\$381,684	\$0.25811	\$98,516	\$15,753,657	7.0%	\$1,102,756	\$1,201,272	\$4,118,030	
2012	479	\$95,421	\$45,706,633	\$457,066	\$0.25811	\$117,973	\$19,089,920	7.0%	\$1,336,294	\$1,454,268	\$5,572,298	
2013	545	\$98,761	\$53,824,569	\$538,246	\$0.25811	\$138,927	\$22,796,036	7.0%	\$1,595,723	\$1,734,649	\$7,306,947	
2014	613	\$102,217	\$62,659,206	\$626,592	\$0.25811	\$161,730	\$26,795,501	7.0%	\$1,875,685	\$2,037,415	\$9,344,361	
2015	682	\$105,795	\$72,152,127	\$721,521	\$0.25811	\$186,232	\$31,076,660	7.0%	\$2,175,366	\$2,361,598	\$11,705,959	
<b>TOTAL</b>	<b>682</b>	<b>--</b>	<b>\$72,152,127</b>	<b>\$3,738,525</b>	<b>--</b>	<b>\$964,951</b>	<b>\$153,361,888</b>	<b>--</b>	<b>\$10,741,009</b>	<b>\$11,705,959</b>	<b>\$11,705,959</b>	

1) Includes hotel/motel, rental condominiums, and RV sites. Average daily rates per hotel/condo of \$120 and \$30 per night for RV sites have been used.

**Source: THK Associates, Inc.**

**TABLE XII-4: ESTIMATED ECONOMIC IMPACTS FROM NEW OFFICE DEVELOPMENT ON SOUTH PADRE ISLAND, 2005-2015**

Office Space							
Year	Cumulative Office Sq.Ft.	Average Value	Total Value Added	Taxable Value	Tax Rate	Additional Property Taxes	
						Annual	Cumulative
2005	0	\$125	\$0	\$0	\$0.25811	\$0	\$0
2006	10,150	\$129	\$1,313,156	\$13,132	\$0.25811	\$3,389	\$3,389
2007	20,620	\$134	\$2,761,082	\$27,611	\$0.25811	\$7,127	\$10,516
2008	31,430	\$139	\$4,355,875	\$43,559	\$0.25811	\$11,243	\$21,759
2009	42,590	\$143	\$6,109,126	\$61,091	\$0.25811	\$15,768	\$37,527
2010	54,110	\$148	\$8,033,213	\$80,332	\$0.25811	\$20,735	\$58,262
2011	66,010	\$154	\$10,142,893	\$101,429	\$0.25811	\$26,180	\$84,442
2012	78,290	\$159	\$12,450,843	\$124,508	\$0.25811	\$32,137	\$116,578
2013	90,970	\$165	\$14,973,765	\$149,738	\$0.25811	\$38,649	\$155,227
2014	104,060	\$170	\$17,727,887	\$177,279	\$0.25811	\$45,757	\$200,985
2015	117,580	\$176	\$20,732,275	\$207,323	\$0.25811	\$53,512	\$254,497
<b>TOTAL</b>	<b>117,580</b>	<b>--</b>	<b>\$98,600,116</b>	<b>\$986,001</b>	<b>--</b>	<b>\$254,497</b>	<b>\$254,497</b>

Source: THK Associates, Inc.

**TABLE:XII--5: SALES TAX REVENUES FROM RETAIL AND GOLF**

Year	New South Padre Island Retail Sales	Golf Revenues	Total Annual New Revenues	Sales Tax Rate	New Sales Taxes	
					Annual	Cumulative
2005	\$4,475,575	\$0	\$4,475,575	2.00%	\$89,512	\$89,512
2006	\$9,224,249	\$0	\$9,224,249	2.00%	\$184,485	\$273,996
2007	\$19,543,969	\$1,885,242	\$21,429,211	2.00%	\$428,584	\$702,581
2008	\$25,146,364	\$2,354,268	\$27,500,632	2.00%	\$550,013	\$1,252,593
2009	\$31,066,171	\$2,677,325	\$33,743,496	2.00%	\$674,870	\$1,927,463
2010	\$37,321,373	\$2,994,118	\$40,315,491	2.00%	\$806,310	\$2,733,773
2011	\$43,930,971	\$3,170,285	\$47,101,256	2.00%	\$942,025	\$3,675,798
2012	\$43,930,971	\$3,354,322	\$47,285,293	2.00%	\$945,706	\$4,621,504
2013	\$50,915,046	\$3,546,542	\$54,461,588	2.00%	\$1,089,232	\$5,710,736
2014	\$58,294,814	\$3,747,270	\$62,042,084	2.00%	\$1,240,842	\$6,951,578
2015	\$66,092,692	\$3,956,844	\$70,049,536	2.00%	\$1,400,991	\$8,352,568
<b>TOTAL</b>	<b>\$389,942,195</b>	<b>\$27,686,216</b>	<b>\$417,628,411</b>	<b>--</b>	<b>\$8,352,568</b>	<b>\$8,352,568</b>

Source: THK Associates, Inc.

**TABLE XII-6: SUMMARY OF REVENUES AND EXPENSES**

Year	Annual New Residential Revenues	Annual New Hotel/Lodging Revenues	Annual New Retail Property Revenues	Annual New Office Revenues	Annual New Retail and Golf Sales Taxes	Total New Revenues	Adjusted for Other New Revenues	New South Padre Island Visitors	Annual Costs to Serve per Visitor	Additional Costs to Serve for South Padre Island	Surplus or Deficit	
											Annual	Cumulative
2005	\$85,112	\$95,601	\$0	\$0	\$89,512	\$270,224	\$317,911	210,550	\$1.92	\$405,054	-\$87,144	-\$87,144
2006	\$178,986	\$191,314	\$0	\$3,389	\$184,485	\$558,174	\$656,676	212,130	\$1.99	\$422,377	\$234,299	\$147,155
2007	\$282,646	\$363,138	\$9,329	\$7,127	\$428,584	\$1,090,823	\$1,283,322	217,720	\$2.06	\$448,680	\$834,642	\$981,797
2008	\$397,062	\$548,601	\$19,311	\$11,243	\$550,013	\$1,526,231	\$1,795,565	223,450	\$2.13	\$476,606	\$1,318,960	\$2,300,757
2009	\$525,510	\$750,424	\$29,981	\$15,768	\$674,870	\$1,996,553	\$2,348,886	229,330	\$2.21	\$506,268	\$1,842,619	\$4,143,375
2010	\$664,302	\$967,680	\$41,374	\$20,735	\$806,310	\$2,500,400	\$2,941,647	235,370	\$2.28	\$537,787	\$2,403,860	\$6,547,235
2011	\$816,052	\$1,201,272	\$54,633	\$26,180	\$942,025	\$3,040,162	\$3,576,661	243,860	\$2.36	\$576,687	\$2,999,974	\$9,547,209
2012	\$982,455	\$1,454,268	\$68,769	\$32,137	\$945,706	\$3,483,335	\$4,098,041	250,340	\$2.45	\$612,732	\$3,485,309	\$13,032,518
2013	\$1,163,585	\$1,734,649	\$83,829	\$38,649	\$1,089,232	\$4,109,943	\$4,835,227	257,000	\$2.53	\$651,049	\$4,184,178	\$17,216,696
2014	\$1,365,864	\$2,037,415	\$99,858	\$45,757	\$1,240,842	\$4,789,735	\$5,634,983	263,830	\$2.62	\$691,744	\$4,943,239	\$22,159,935
2015	\$1,508,241	\$2,361,598	\$116,905	\$53,512	\$1,400,991	\$5,441,247	\$6,401,468	270,850	\$2.71	\$735,005	\$5,666,463	\$27,826,398
<b>TOTAL</b>	<b>\$7,969,815</b>	<b>\$11,705,959</b>	<b>\$523,989</b>	<b>\$254,497</b>	<b>\$8,352,568</b>	<b>\$28,806,829</b>	<b>\$33,890,387</b>	<b>--</b>	<b>--</b>	<b>\$6,063,988</b>	<b>\$27,826,398</b>	<b>\$27,826,398</b>

Source: THK Associates, Inc.

### **XIII. DEVELOPMENT STRATEGIES**

South Padre Island has an invaluable opportunity to capitalize on the rare convergence of community based planning needs and desires and market place dynamics. The onset of these forces is the catalyst bringing these often disparate objectives together. The reality, however, is that a long-term vision for critical areas of South Padre Island is necessary to sustain and grow the community, and for it to remain competitive in a changing business environment along the Gulf Coast.

This vision can be achieved through consensus-driven and cooperative master planning that involves the broadest range of participants. These recommendations are intended to give this process a head start by offering objective ideas on how to integrate key design principles and guidelines that should be the basis for developing and implementing a strategic plan. THK further advances this planning process by describing the structural processes that will be needed to move these projects forward.

As identified by THK, in its market analysis, South Padre Island is at an important part in its history, and for its future role in the Gulf Coast economy. South Padre Island has become the recreational, residential, retail, and commercial hub satisfying the demands generated by residents and visitors with new economic activity likely to develop in all directions. South Padre Island needs to affirm a new role by focusing its assets and adopting new development strategies to create an environment for prosperity based on new conditions. As is evident from the experiences of other communities in similar situations throughout the country, this will involve infill development, place making, and the creation of an identity that can attract and retain the economic activity and mix of uses to be captured in this rapidly growing and expanding community.

South Padre Island needs to provide leadership throughout the planning and development process. A critical element in demonstrating strong leadership in the marketplace involves providing a stable regulatory environment. South Padre Island must communicate to the development community an advanced "degree of certainty" in both approvals and timing. These issues are crucial in the development of residential and mixed-use environments. This degree of certainty, however, must not come at the expense of public confidence. The residents of South Padre Island need to feel that their elected officials and town staff have adequately protected the town's interests while ensuring future development opportunities.

South Padre Island, like developers and landowners, is a player in a very competitive marketplace. South Padre Island is vying for residents, investment dollars, tenants, and consumer spending within the Gulf Coast marketplace in much the same way as are landowners and developers. The investment and development communities will be inundated with competing opportunities along the Gulf Coast.

Each neighboring municipality, as well as counties, will compete to develop its respective land. Investment and development opportunities will be further expanded in the future by the expanding economy. Investors, developers, and builders inevitably will be trying to identify the safest market opportunities that represent the path of least resistance as they seek attractive returns on their investments. South Padre Island needs to be seen as a savvy business entity that will help to protect private sector investment by eliminating undue regulatory risk, thereby increasing returns on investments within its boundaries. South Padre Island should be viewed as a solid environment for real estate investment, business, retail, and housing. South Padre Island always has attracted top-of-the-market homebuyers looking to build high-priced houses.

South Padre Island now needs to command the same market respect for future residential and non-residential investment dollars as it historically has.

Specific development strategies need to be formulated for residential development including single-family, townhomes, condominiums, and rental apartments; for hotel and lodging development, for a recreational vehicle park, for retail and office development, especially in a town center, for a golf course resort, and for another public marina. Also, other special projects are being evaluated on South Padre Island, including a new comprehensive plan, a Padre Boulevard beautification program, expansion of the convention center, construction of a birding center, construction of a second bridge crossing and improvement of the county airport.

If South Padre Island is to derive maximum benefit from the current market, it must move rapidly to "set the table" for development. This is necessary to ensure that available sites are ready for development and that landowners, including South Padre Island, can take advantage of market and development opportunities. The importance of timing cannot be over-emphasized.

Landowners need to recognize that their respective interests will best be served by an integrated comprehensive plan that can guide development on properties. THK recommends that South Padre Island undertake an updated comprehensive master-planning effort, with the help of outside consultants, in order to assess a basic approach to new development. The comprehensive plan will need to address key development opportunities that derive from the advantages of each site and remove current impediments to successful development.

Establishing this comprehensive plan will require cooperation and determination from South Padre Island's leadership and staff and an endorsement from its residents, and, most likely, as the plan develops, a willingness by each owner to foreclose some development options. If South Padre Island's leadership, staff, residents, and landowners can agree upon common goals and actions then the opportunities for creating an attractive well-balanced community will be enhanced.

After a framework comprehensive master plan agreement has been made and endorsed by South Padre Island's leadership, staff, and residents, landowners and the community needs to promptly develop a funding plan and program to provide the needed infrastructure and regulatory entitlements that will enable responsible, yet flexible, development within the guidance of the comprehensive master plan.

THK believes that major improvements need to be made to the infrastructure to accommodate development. These improvements will require significant expenditures, most likely tens of millions of dollars. The expenditures, however, can be staged and shared by the community, developers, and improvement districts over the next several years. Although these significant, up-front expenditures will provide no immediate return, they will benefit residents and employers as South Padre Island evolves during a timeframe that will span the next generation of community's development and enable it to remain competitive in the marketplace for commercial and residential development. Ultimately, they will create greater value for the private sector and higher tax revenue for South Padre Island.

The infrastructure program should be developed in a preliminary form, including a sharing of expenditures in conjunction with development of the comprehensive master plan. If agreement ensues at the comprehensive master plan stage, then a more detailed infrastructure funding plan can be prepared.

South Padre Island must exert strong civic leadership and facilitate a cooperative partnership among individual landowners. Only one entity represents all of the citizens, employees, and multitude of commercial landowners who live, work, shop, and play on South Padre Island. South Padre Island has this unique responsibility. Because of the fragmentation of ownership around the Island, the diversity of entities that provide services, South Padre Island must show that it is ready to "do business". It can accomplish this by taking the lead in facilitating the comprehensive master plan development process, which will demonstrate to the development community that South Padre Island is serious and is taking a proactive approach to development.

South Padre Island must commit to providing zoning and other regulations and incentives that will facilitate conventional residential development, vertical mixed-use development, and mixed-income residential development. It should further commit, upon conclusion of the comprehensive master planning process, to rezone properties to allow for mixed-use development. At present, some properties are zoned for single uses only. These requirements, however, should not be so restrictive as to preclude development opportunities that may arise. The important outcome in this area is to increase predictability for developers so that they are encouraged to invest on South Padre Island.

South Padre Island's leadership, staff, and residents, in conjunctions with landowners, should commence a comprehensive planning process. This process should begin immediately and should take no more than three months to complete. The result of this study period should be the publication of clear answers to all current land use and development questions.

If this is not accomplished in a satisfactory and timely manner, the opportunity to create a vibrant, mixed land use community will pass and the development community will pursue the same type of single-purpose parcel development that has dominated the South Padre Island area to date. The chance to build a trusting relationship between the private sector and South Padre Island will have been squandered, and the opportunity to make South Padre Island a unique and vibrant community will be lost.

The creation of a unified comprehensive development plan is important to the overall success of the Island. It is a critical element, given the multiple ownership patterns around the Island and the regional competition from larger, single-owner sites. The comprehensive plan must be presented to the development community and the public in a cohesive fashion to ensure market acceptance and financial viability.

#### **A. Strategies for Residential Development**

The market analysis portion of this study demonstrated that 295 acres of residential land for 2,170 units will be needed over the next decade to accommodate 650 single-family units, 330 townhomes, 400 lowrise condominiums, 600 highrise condominiums, and 190 rental apartments. The comprehensive planning effort will be a significant force in shopping future residential development on South Padre Island and strategic annexations and appropriate zoning, subdivision regulations, and infrastructure improvements will be a necessary part of this comprehensive planning process. THK endorses the Urban Land Institute's "Ten Principles for Smart Growth on the Suburban Fringe" that outlines ways to improve residential development practices. The ten principles discussed include the following:

- Create a Shared Vision for the Future...and stick to it: Make sure the vision is inclusive and reflects the desires of those who live and work in the community.

- Create and Sustain Green Infrastructure: Designate open space to be saved in perpetuity.
- Realize that the Right Design in the Wrong Place is not Smart Growth: Determine the appropriate location based on infrastructure investment, proximity of jobs to housing and transit options.
- Protect Environmental Systems and Conserve Resources: Minimize disturbance to nature and use climate as a major factor in design.
- Provide Diverse Housing Types and Opportunities: Offer a mix that appeals to different demographic groups and households, resulting in greater neighborhood diversity.
- Build Centers of Concentrated Mixed Use: Offer a blend of commercial, retail, entertainment, and recreational space.
- Use Multiple Connections to Enhance Mobility and Circulation: Provide a network of vehicular, pedestrian, cycling, park, and open space connections.
- Create Sustainable Transportation Choices: Stage development of real estate and transportation facilities to ensure availability of a variety of alternatives to driving alone – walking, cycling, transit, car pooling, and telecommuting.
- Preserve Community Character: Draw on local culture, heritage, and history to create a unique sense of place.
- Make it Easy to Do the Right Thing: Make local regulations more flexible to encourage mixed-use, compact development and other smart growth practices.

While applying smart growth can result in development that is more attractive, more livable, and more profitable, the fringe is a “complicated political and demographic terrain”. A key dynamic at the edge is the relationship between the newly built and the still developing. “Collaborating on smart growth development can benefit both types of communities by diminishing the desire to grow in isolation and encouraging the desire to take a broader, mutually beneficial approach to community growth.

## **B. Strategies for Hotel and Lodging Development**

Hotel and lodging on South Padre Island is projected to grow annually over the next decade by approximately 70 units per year, and, in total, 682 additional units will be needed by 2015. THK has recommended that 3 full service hotels with 455 rooms be developed on a total of 12 acres. These should occur in the mid-central area of development on the beach frontage, adjacent to the convention center or at the recommended golf course. Additionally, the 227 rooms should be developed as 3 limited service hotels and these will likely be developed north along Padre Boulevard.

Research indicates that the South Padre Island hotel market has remained stable but very seasonal in recent years and occupancies continue to hold steady at 49% even though a higher stabilized occupancy of 55% to 60% would need to be attained to justify new construction in the near term. In recent years, since 2000, a total of 10 limited service hotels, with 1,898 rooms, have been constructed on South Padre Island. This has caused some softness in the current occupancy. The market appears not to be able to justify new construction until 2008. An exception could be made for a full service beachfront/convention/resort hotel which would garner better than average occupancies and rates, and better serve the more sought after upscale market visitors.

In spite of the overbuilding in the lower-priced limited service/extended-stay segment of the market, the weak performance also is the result of a lack of high-end product that serves not only the business traveler and conventioneer, but also the upscale tourist and visitor. South

Padre Island has no four-star hotels; its best hotels, the aging Radison built in 1975, and the Sheraton built in 1986, have been rated no higher than three-star-plus facilities. Their conference centers are not fully functional and do not satisfy current market needs. South Padre Island hotels currently are not responding to the needs of the market for business travelers, conventioners, and upscale visitors for social events, parties, and other functions.

A new, four-star-plus property of approximately 200 rooms will have the potential to perform well within the South Padre Island market if it offers the amenities that will attract business travelers, conventioners, and upscale visitors. These amenities must include a variety of food/beverage outlets and connectivity to the greater community. In order to succeed, the hotel will need conference facilities that appeal to business travelers and conventioners. These facilities also can be used for private parties, weddings, banquets, etc. A successful hotel brings its surroundings to life. It increases activity on the beachfront, on the street, and in surrounding retail and restaurant properties. Such a hotel will have to offer a high level of services, with full connectivity in and around the community, and a location that captures the beautiful views that are part and parcel of the South Padre Island experience.

It would be very advantageous if some of the major luxury full service hotel chains, including Four Seasons, The Ritz, Marriot, Hilton, Hyatt, or others could be attracted to South Padre Island to establish a new standard for full service hotel development. A concerted effort should be made to inform these prospects of the tremendous opportunities existing on South Padre Island. In addition to a beachfront hotel, as South Padre Island continues to grow and expand its sphere of influence, the potential will also evolve for a high-end full service hotel at the convention center.

Currently, a study is underway to assess the demand to expand the convention center beyond its current capacity of 45,000 sq. ft. Preliminary research indicates that an expanded convention center will be recommended and a host hotel adjacent to the convention center would be a substantial addition to South Padre Island. A full service hotel at the convention would also be in close proximity to South Padre Island "Birding Center", which has been approved, designed, and budgeted for construction at \$6 million. The initial \$1.5 million has been raised from state and local funding sources, representing 50% of the construction cost of the building with another \$3 million needed for the interior buildout and displays. Work will begin later this year on additional boardwalks and this improvement will add substantial appeal to the visitor market and would be an enhancement to the full service headquarter convention center hotel.

In addition to a full service beachfront hotel and a headquarter convention center hotel, a full service resort hotel developed in conjunction with an 18-hole championship golf course would also be a tremendous asset and complementary facility for South Padre Island. Research has established that there is an additional need for an 18-hole golf course on South Padre Island and recently a trend has evolved in the golf industry to develop seaside resorts in sand dunes adjacent to the ocean. North and South Carolina have both seen substantial golf, residential, and resort development along the coast and Kiowa Island is an especially good example of what can be created. Also, Bandon Dunes, along the Oregon Coast, is another great example of golf and resort development in a coastal environment. South Padre Island should get very aggressive in trying to lure a golf course resort developer that would incorporate a full service hotel into their overall plan.

## **C. Retail Office and Flex and Town Center Development Strategies**

The market analysis demonstrates that South Padre Island's retail commercial market is reasonable in balance now with almost 400,000 sq. ft. of space and 154 retail establishments, including approximately 40,000 sq. ft. of convenience and specialty food space, 55,000 sq. ft. of apparel space, 156,000 sq. ft. for restaurants and bars, and 144,000 sq. ft. for miscellaneous retail and personal service stores. Over the next decade, approximately 280,000 sq. ft. of new retail commercial space needs to be added on South Padre Island at a pace of almost 30,000 sq. ft. per year.

If this retail commercial space is constructed at conventional commercial building coverage ratios, it will require approximately 30 more acres of land devoted to retail and this construction will include 15 new convenience and specialty foot stores, 10 new apparel stores, 25 new restaurants, and 65, miscellaneous retail and personal service establishment, or a total of 115 new retail commercial stores.

Additionally, office/flex market on South Padre Island will average annually a demand for 11,800 sq. ft. and, over the next decade, 13 acres of land will be needed to accommodate the office/flex market. This space will be developed along Padre Boulevard and it would be strategic if this space could be developed in conjunction with the retail space in a town center configuration. While blessed with beautiful beaches, neighborhoods and a rich tax base, South Padre Island has no gathering place or center where people can live, work, shop, recreate, and partake in cultural activities.

A number of design characteristics are essential to developing a successful town center. These include connectivity, access to transit, sound infill development principles, and interconnected private development parcels. THK has identified and recommends the following concepts and ideas.

### *1. Linking the Bay to the Breakers*

Padre Boulevard is the major interior north-south commercial corridor that bisects the currently developed portion of South Padre Island. It would be very desirable to take a portion of the more urban segment of Padre Boulevard and connect it with a strategic east-west road segment that would link the bay with the Gulf Coast.

A successful town center mixed-use development requires a scale and a circulation pattern that reinforce traditional street activities. This includes relatively narrow streets with active ground-floor uses fronting on sidewalks on both sides of the street, generally without setbacks and a self-enforcing controlled flow of vehicular traffic. The traditional urban grid network is the enduring mode. The benefits of this pattern are closely aligned with urban retailing principles and planning for new compact development patterns.

### *2. Parking Management*

Establishing a parking strategy is an essential element to a town center plan to ensure that parking does not overwhelm the character of the new development but, at the same time, is provided in a manner that serves new and existing users.

The parking strategy should avoid or minimize the long-term use of surface parking lots in the town center area, although surface lots will be appropriate while the area is developed and individual projects are under construction. The location and design of structured parking should be carefully controlled to minimize exposed street walls by using "liner" uses such as retail

along the street frontage. A broad-based parking management district may need to be created to confirm shared parking resources and provide incentives for participation. Pricing strategies for short- and long-term rates and coordinated revenue collection and distribution would be a key task of any parking district.

### *3. Pedestrian Circulation*

Pedestrian circulation is a critical element of any successful town center. The entire premise of place making and main street retailing is based on establishing a high comfort zone and ease of access for pedestrian movement, to, from, and within a town center. The core area of the town center should be designed around pedestrian movement, enabling easy access. Connections to and from the town center also should be preserved and/or enhanced, particularly within the pedestrian zone. Within a relatively short walk of the core area, and certainly within walking distance of the surrounding hotels and beaches, numerous opportunities exist to encourage pedestrian, rather than vehicular, trips at lunchtime and for other activities.

In addition, the area's potential among local workers as a popular lunch spot will make it an outdoor and pedestrian-friendly food court, a nice feature for the nearby population.

With this framework, the final element summarizes how development will be organized along the town center's street network. The plan should be based on established mixed-use and compact-scale development principles. The primary effect is that the buildings are sized in scale with the street patterns, maintaining typical building widths in context with the building-to-building-line width of the street right-of-way, including sidewalks. This plan assumes that ground-floor uses would consist of street-level retail space fronting the town center's streets. The regular rhythm of retail storefronts, entrances to and lobbies for upper-story offices, short blocks, well-designed street furniture, and street trees all combine to create a great urban place and a successful urban retail development. The total footprint of this building envelope would equal approximately 200,000 sq. ft., with a majority of the space devoted to retail and restaurant use.

From this ground-floor baseline, planning for the upper floors of projects built within the study area should be as flexible as possible, to accommodate future market demands in terms of the ultimate mix of uses, which could include residential and live/work units, offices, hotels, and other commercial units. While the average height may be up to four stories across the entire footprint, building heights should vary considerably throughout the development parcels, based on their location and intended use. The plan should remain flexible to allow some taller configurations for such potential future uses as a four-star hotel, signature office building, or midrise residential buildings, if the market for such products is justified in the future.

### *4. Open Space, Civic Space, and Recreational Use Planning*

The town center plan must ensure a full range of civic and open space resources by identifying and reserving such spaces at the early concept development stage. Tremendous opportunities exist to focus on open space opportunities.

**Trails and Parks** – First and foremost, the town center creates a unique chance to link potential regional trail networks on either side of Padre Boulevard in a way that has never before been possible. The integrated framework plan should include a bicycle/pedestrian trail right-of-way system. Within South Padre Island's potential trail network, opportunities exist to greatly expand parkland that can serve as a hub of the expanded trail network.

**Civic Places** – A hallmark of the urban gathering place experience, both historic and newly created, is the participation in community life fostered by the use of civic spaces such as central plazas and other downtown squares. The town center certainly will provide such an important community amenity, as well as at other locations along key pedestrian routes within the center.

#### *5. Development Principles and Guidelines*

The town center concept plan discussion is a head start toward the more substantial planning and design efforts necessary to ready the South Padre Island town center for implementation and development. It is based on its consideration of several key design guidelines and principles that should be carried forward into the next phase of planning by South Padre Island. These are summarized below.

**Consider Street Ergonomics** – The town center will feel right if it is designed right. This is a critical first step in place making and creating a central mixed-use district. Design includes urban design guidelines that establish the scale and relationship of streets to buildings, and from building to building, and the height and massing of new buildings. The use of on-street parallel parking is encouraged. Sidewalk widths should be sized according to likely uses along the street, that is, in areas planned for restaurant use, they should be wide enough to accommodate outdoor dining, and based on an urban scale of safe and comfortable scaled walkways, but should not be so wide as to create a sense that the sidewalk is a de facto setback from the street.

**Incorporate Urban Design and Architectural Character** – The street-level look and feel of new development will be of critical importance. Carefully implemented design guidelines that are flexible enough to allow individual expression but cohesive enough to create a comfortable environment for pedestrians, residents, workers, and visitors will help produce the appropriate look and feel. Design guidelines should address the following:

- Articulation of building entrances;
- Ground-floor awnings and signage;
- Street furniture;
- Wayfinding treatment;
- Landscaping; and
- Lighting standards.

Above the first floor, design guidelines over and above the scale and massing criteria discussed above will become somewhat less specific, accommodating a variety of uses and location-specific design opportunities.

**Install Public Art** – Continuing the local tradition of excellence in public art as part of the built environment will be a great asset in creating an identity and image for the town center. Public art should be fully integrated into wayfinding, defining key places and softening edges along pedestrian-oriented experiences. For instance, walkways between the bay and the Gulf shore are prime locations for public art. So are any areas where activities front Padre Boulevard. Any conventional chain link fencing should be enhanced with integrated public art.

**Focus on Image-Building Opportunities** – The development plan should not miss any opportunities to create iconic elements that set an identity and image, which, in turn, will define and brand the town center.

**Promote Sustainability and Environmentally Responsible Development** – Realizing that South Padre Island’s future depends on maximizing its own assets and reinventing its urban location, the town center takes an inherent step toward promoting sustainable development. As such, it should fully embrace environmentally responsible design. Its basic concept, with a development and design approach that limits parking and automobile use, sets it well on the way toward meeting this goal. Going forward, design elements that promote energy conservation, water conservation, and stormwater quality control and enhance existing systems, as well as sustainable building practices, increasingly should become part of the development process. This can best be achieved by establishing a design principle that calls for all new construction in the town center to be Leadership in Energy and Environmental Design (LEED) certified.

Remember these Ten Principles for Successful Development – The ULI publication *Ten Principles for Successful Development Around Transit* presents an excellent summary of the principles that should be considered in pursuing the town center plan. South Padre Island has already taken steps in the right direction in utilizing the following ten principles:

- Make it better with a vision;
- Apply the power of partnerships;
- Think development;
- Get the parking right;
- Build a place, not a project;
- Make retail development market driven;
- Mix uses, but not necessarily at the same place – that is, the east and west sides of the town center do not need to be programmed the same way;
- Make buses a great idea – something that already has been established with the “catch the wave” system;
- Encourage housing at every price point;
- Engage corporate attention, which should be the base condition at the town center

#### **D. Golf Resort Development Strategies**

The market analysis has identified a need for an 18-hole championship golf course on South Padre Island and this facility would be a substantial impetus for future residential hotel and lodging and retail development. The benefits from the potential of development of a golf course on South Padre Island are numerous and include the following:

- A golf course will cause faster and more valuable absorption of lands in a community by attracting businesses and residents that are in search of a better quality of life.
- It will cause a demand for higher development intensities and a broader array of land uses such a retirement housing, office condominiums, retail, and a wider variety of residential and commercial uses including “maintenance free” living types of units, especially if development is encouraged at the periphery of the golf course.
- A golf course creates a location and environment for social interaction and fund raising for community residents and businesses.
- Approximately 30-50 jobs will be created by an 18-hole golf course.

- A golf course creates a special environment, which should attract and retain seniors and encourage the development of retirement housing in a community.
- Outsiders beyond the community limits of the golf course that are attracted to play the golf course will subsidize recreation for local residents.
- The golf course can function as part of the tertiary sewage treatment system by being a location where effluent can be sprayed on the land. This is especially important in wet climates like that of South Padre Island. A golf course can use government funding sources for irrigation improvements of \$1 million or more if it can be shown that land application of effluent is occurring on the golf course.
- A golf course affords a community the opportunity to tap government financing sources at lower interest rates that are not available to private entrepreneurs.
- Surplus revenues from the golf course can be used to subsidize other recreational facilities on South Padre Island.
- A golf course will attract prestigious residents and companies to South Padre Island because these users are in search of a better quality of life for their families and employees.
- A golf course will have 25,000 lineal feet of golf course frontage if the fairways are double loaded and spread apart. Residential lots with golf frontage sell for \$250/foot-\$1,650 per foot and 250-300 home sites can front the golf course. Commercial frontage, including a resort hotel, can sell for even higher values. Residential premiums from golf course frontage should generate a minimum of approximately \$6,250,000 of premium revenues for adjacent landowners, home owners, and commercial development. Other hotel, land, home, and commercial owners that may not have golf course frontage in the community will also benefit financially from the golf course construction through faster absorption at higher prices. Neighborhood homes should be priced 25% higher than residential communities without a golf course.
- A golf course will distinguish South Padre Island from others in the region and it will give the community a substantial competitive edge to attract visitors, hotel guests, families and businesses in the region that are considering a new location or relocation. The golf course gives the community a special sense of identity.
- The golf course should help the community create a more substantial sales tax and property tax base.
- It encourages tournaments sponsored by local residents, citizens, hotels, or corporations.
- Golf league play will become a possibility for community residents.
- A golf course will provide numerous features for South Padre Island guests and residents including substantial recreation, wildlife habitat, storm drainage, and flood control basins, along with open space that becomes visual relief.

- The golf course will become a focal point for marketing the recreational environment available on South Padre Island.
- A golf course can use unique government funding sources that may be available for creating storm drainage basins and flood control systems if these systems are incorporated within the golf course. The possibility may also exist to tap government-funding sources for the construction of the clubhouse if it incorporates a senior citizen meeting room or a recreation center for seniors or the youth of the community.

Some significant golf course development considerations include the following:

- A golf course developer, including South Padre Island as the developer, should build 18 holes, not 9 holes and do not build an executive, short course, or par 3 course because these types of golf courses do not have the same ability to attract potential customers, yet they cost almost as much because most of the construction cost is in the tees and greens. 27 hole golf courses can be very popular in tourist areas, such as South Padre Island, and strong daily fee markets because 1/3 more people can tee off in peak times during events and major outings.
- With the demise of the savings and loan industry, it will be difficult, if not impossible, to finance golf courses through private sources and therefore, government sponsored golf courses have the greatest likelihood for success.
- The clubhouse should be on high ground with #1 and #10 falling away and #9 and #18 rising to the clubhouse. The golf course should have returning 9 hole loops that include the following par sequence: 4, 5, 4, 3, 4, 5, 4, 3, 4. This ensures maximum speed of play.
- The clubhouse should be on 3-10 acres and not too big. Oversized clubhouses that are too expensive get a lot of golf course developers into financial problems.
- A practice range and a practice tee are a must and for maximum usage they should be oriented North/South.
- East/West holes should be minimized because of sun conflicts.
- Golf Course fairways should be double loaded to minimize use of land and to minimize use of water and irrigation costs.
- 80% of golfers are right-handed and 80% slice, so design to slice to interior of the parallel golf holes to minimize the land area and irrigation requirements.
- The golf course will require 120-180 acres, if designed with a double loaded fairway. An 18-hole golf course can impact a 640-acre resort development, business park, or other type of development or a combination of land uses.
- The golf course designs should link natural features with fairways typically in the lower lands and the higher ground should be used for the resort, residential or business community.

- The golf course should be windowed onto a major arterial as part of the marketing program, so the general public can see the golf course and know it is open for public play.
- The golf course maintenance area should be at the perimeter, hidden, and central to the golf course. It generates a lot of truck traffic and obnoxious odors, so it should be remote and removed from the clubhouse area and from the residential community.
- Road crossings and shortcuts through the golf course should be minimized.
- No public uses should be developed adjacent to the golf course such as schools or parks because of safety factors and liability issues.
- The golf course can be a big economic development boom because it gives a residential community destination appeal and distinguishes it from neighboring developments, towns, cities. Also, a golf course can be a boom to business development and tourist activity.
- A reliable water source in desert and semi-arid climates is a critical concern. A golf course must irrigate 80-120 acres with 700,000-1,000,000 gallons/day. Pumps that supply 500 gallons per minute are used. Source of water must be able to provide 33 inches of water per golf season and the golf course needs 270-300 acre feet as a resource for water and irrigation.
- Critical phases of the golf course development process include the following professions and the selection of an experienced team lends tremendous credibility for financing:
  - market analysis;
  - golf course finance;
  - golf course architectural design;
  - golf course contractor;
  - professional golf course management company; and
  - golf course community planner.
- When selecting a golf course architect for the project, the golf course developer should determine if he likes what the golf architect designs and has built by inspecting completed golf courses. The golf course developer should talk to the contractor and management team to see what feedback is coming in from the golfers. The golf course developer should have the potential contractor, community planner, market analyst, and management firm review and critique the proposed golf course design.
- The clubhouse should be located so one employee can view #1 and #10 tees, #9 and #18 greens, practice range and practice tee.
- Usually 40 to 60 + carts are needed for a golf course that plays 200-250 rounds/day since 20-30% of patrons prefer to take a golf cart.
- Cart storage area should occur under the clubhouse for ease of operations and for security.

- Golf carts can be a tremendous source of additional profit, but in early years to minimize cash outlays, a leasing program may prove more practical than purchase.

#### Development Considerations for Real Estate at the Perimeter of a Potential Golf Course Community on South Padre Island

- A golf course development should be viewed as much more than just a recreational project because of the cataclysmic impact on surrounding real estate. A golf course will have 25,000 lineal feet of golf course frontage if the fairways are double loaded and spread apart. Residential lots with golf frontage sell for premiums of \$250/foot - \$1,650/foot of frontage and 250-300 home sites can front the golf course. Commercial frontage can sell for even higher values. Residential premiums should generate a minimum of approximately \$6,250,000 of premium revenues from adjacent landowners, homeowners, and commercial development. Other land, home, and commercial owners in the community will benefit financially from the golf course construction even without frontage through faster absorption at higher prices and values and neighborhood homes should be 25% higher than residential communities without a golf course.
- Most of the premium value to golf course residential units is at the tees, greens, and special features so the design should maximize the number of units at these locations and premiums should be priced accordingly.
- Use the high ground for residential units that overlook the golf course fairways below the residential units.
- Market the residential community under same name and logo as the golf course to minimize marketing and printing expenses.
- Include 5-10 residential products with different densities, price ranges, and life styles and only include those with the potential of selling 2-3 units per month.
- Window the golf course on major arterial and other roadways to function as a marketing window.
- Minimize pedestrian and vehicular crossing of the golf course. Residents should be able to get to the clubhouse without crossing a major arterial.
- In a residential development surrounding a golf course, four or five single family products with different lot prices, home prices and lot sizes should be programmed in pods of 5-20 acres each for 60-80 home sites with related lot sizes and pricing schedules. A business park surrounding a golf course should also have a variety of products including office space, research and development space, warehouse and distribution, manufacturing and light industrial, hotel, retail, and so forth.
- The depth of market for townhomes, patio homes, cluster homes, and business space should be studied from a demand and supply standpoint to establish potentials and to program the most appropriate development for the land surrounding the golf course.
- Consider a rental multi-family apartment project of 120-200 units and maybe more on 10 to 20 acres surrounding the golf course in a residential project or in a business park

because this is one of the strongest market prospects. Handle objections by accessing the apartments from a perimeter road.

- Consider other non-residential uses as prospects for land use in a golf course development by including special destination oriented retail like a resort hotel, restaurants and athletic clubs.
- A golf course is a perfect environment for certain types of office uses and for office condominiums.
- High tech/quality of life oriented R & D companies prefer golf course environments so consider windowing the golf course into a business park with access from a perimeter road.
- Prospects for golf play and residential purchases at a golf course community in a tourist environment will come from permanent residents, seasonal and second home purchasers, resort hotel and lodging guests, recreational vehicle visitors and daytrippers.
- Each residential product should have golf frontage.
- Improve for only enough development land for a two-year inventory of product sales in Phase I. Deliver 15/20 acre parcels to each builder for various product and land use types.
- Put your best parcel for sale in the first phase because this will ensure the greatest probability of financial success and this will also transfer created value to the remaining product.
- Do not let front-end costs bury the project, especially at the clubhouse. Temporary structures can be used until clientele is established.
- Pre-sell and discount development sites and sell parcels the day of platting. Do not wait until the golf course is complete to sell.
- Plan other amenities besides the golf course because only 12% of the population plays golf. Do not allow golf course approval to go to a public vote because support will come from only 12% of the total population.
- Provide conservative setbacks from the golf course.
- Provide a clubhouse drive that is close to the clubhouse because this is where maximum value and prestige occurs for premium residential or business sites.
- Consider a future ability to expand your golf course to 27 holes because this doubles the value due to better utilization of premium tee times, the clubhouse and personnel.
- It is very difficult to include other functions at the clubhouse, such as meeting rooms or recreation centers, because of parking conflicts. Golfers arrive very early and park for 5 hours, while other users are quickly in and out.

In summary, now that the golf course feasibility study is complete, it would be timely to retain a golf course architect that is knowledgeable in designing golf courses in sand dune environs along the Gulf or ocean coasts. As mentioned earlier, Pete Dye at Kiawah Island has had a great experience. Core-Crenshaw at the Sandhills course and Tom Doaks at Bandon Dunes in Oregon have also had great successes. The golf course designer should review land and ownership patterns north of the existing development on South Padre Island to determine the best location that accomplishes all the factors that will ensure a successful golf course and resort community.

A preliminary routing plan should be completed demonstrating exactly where and how a golf course and resort community could be constructed. Once this is complete, preliminary construction budgets can be completed and a thorough assessment of development potentials can be valued. A program can then be devised to acquire, or joint venture, the land for the golf course and a program to develop the surrounding land can be completed.

It should be noted that Landmark, the current owner of the South Padre Island Golf Course, is a very sophisticated developer of resort golf courses and surrounding communities and they may be interested in another golf course in the area. Also, major golf course resort hotel operators have very sophisticated golf course development departments including Marriott Hotels, Hyatt, Four Seasons, Ritz Carlton, and others. Once the design concept and the land ownership and development program is agreed upon, these should be coupled with the market and financial feasibility study and presented to these various prospects. Special financing tools for the golf course are available at very competitive interest rates and these include general obligation bonds, revenue bonds, and bonds that are underwritten with hotel and lodging receipts as the source of repayment.

#### **E. Public Marina and Recreational Vehicle Park Development Strategies**

The market analysis has identified the potential on South Padre Island to develop a 250 boat slip marina with 90 wet slips and 160 dry stock spaces on 10 acres of land over the next decade. There is also potential on South Padre Island for a 156 space recreational vehicle park on 15 acres. The potential exists to combine these two facilities at the same location and supplement these with other synergistic land uses such as retail, specialty commercial uses, restaurants, and higher density residential uses. Marina operations today in South Padre Island environs are run privately on land that is owned or leased from a public agency and the recreational vehicle parks have similar arrangements and these existing operators or new prospects can be substituted for the new operations. The comprehensive planning effort should recommend a specific location north of the existing development on South Padre Island and a profile for the overall marina development concept. Once this is in place, a game plan can be formulated to acquire, finance, develop, construct, and operate this significant additional amenity for South Padre Island.

#### **F. Development Strategies for Other Special Projects on South Padre Island**

The comprehensive planning effort, including infrastructure recommendations, will be a very important program that will solidify development strategies for South Padre Island and a strong endorsement by all stakeholders will be necessary. Once this is in place, funding alternatives need to be evaluated and priorities need to be established for all of the future development opportunities that are available on South Padre Island. Currently, a program is in place and funded for the beautification of South Padre Boulevard. These improvements need to be completed by 2007. THK would recommend that this program be expanded to include planning

and road improvements that will be necessary to construct portions of the town center concept for South Padre Island and it may be possible to use the same funding mechanism for some of these improvements.

The market analysis demonstrated that South Padre Island, at a minimum through the next decade, will need over 520 acres for urban land uses and in total, the land area requirement may be closer to 650 acres, which is more than a section of land. Most new development will have to occur north of existing development and South Padre Island needs to have a defined and aggressive attitude toward annexing, zoning, and servicing future areas for development on these opportunities will be capitalized upon by others and it is important for South Padre Island to control its own destiny.

Coincidental to these policies, other improvements existing or being considered by South Padre Island, will enhance and solidify its position as one of America's great destination resorts. These include construction of the birding center, construction of a second road crossing from the mainland to South Padre Island, at the north end expanding the convention center and needed improvements to the county airport at Port Isabel. As mentioned earlier, the birding center had been designed and is planned to be adjacent to the convention center. It is estimated to cost \$6 million with \$3 million for construction of the building and \$3 million for interior improvements and displays. State, local, and federal funds of \$1.5 million have already been committed and a fund raising program for the balance needs to be completed. This facility will be a great asset to South Padre Island and will help to diversify the type of tourists and visitors to the Island. This improvement, as well as expanding the convention center, is consistent with the goals, objectives, and development strategies that should be endorsed by the leadership, staff, and residents of South Padre Island.

Adequate supporting infrastructure will be the foundation for future development on South Padre Island and appropriate access will be fundamental to any success. Market research demonstrates that over the next decade South Padre Island's permanent population will expand by over 40% and visitors to the Island will grow by almost 30%. South Padre Island needs an alternative access to the mainland at the north, and, for safety reasons, bridge closure; traffic congestion; access to doctors and hospitals; and for increased tourism, specific reasons formulated by the local economic development corporation include:

- While no specific north location has been identified by the Town of South Padre Island, it makes sense locating a new bridge north of town.
- Texas Department of Transportation, in a previous feasibility study identified a location approximately three miles north of town, as being the most feasible location, this was endorsed by South Padre Island.
- Almost all proposals being advanced for a new bridge call for it to be a toll bridge. The Wilbur Smith Feasibility Study done by the South Padre Island Economic Development Corporation shows that a toll bridge built north of town would be feasible.
- A north bridge would allow evacuation traffic a less congested and faster route inland to escape hurricanes.
- A north bridge would allow traffic coming from Harlingen and points north an alternate route and ease congestion on the present causeway.

- A north location that connects directly to Harlingen should increase air travelers coming to South Padre Island via the Harlingen Airport.
- A north bridge location would give South Padre Island residents better and faster access to hospitals and medical care.
- The future of South Padre Island depends upon improved access to the mainland, which can only be accomplished by locating the new bridge north of the town.

Specific recommendations include the following, and implementation will be a very important part of South Padre Island’s development strategy.

- **Cost of New Bridge** – Depending on location, a new bridge to South Padre Island has been estimated to cost anywhere from \$20 to \$120 million.
- **State-Funded Bridge** – State highway officials estimate it will be a minimum of 10 years and more likely 20 years before state funds are available to build a new state-funded bridge to the Island.
- **Toll Bridge** – The most feasible way to have a new bridge built in the near future to South Padre Island is by the creation of a Regional Mobility Authority in Cameron County to build a toll bridge to the Island. State funds and tolls collected from the bridge would be used to repay revenue bonds issued by the Regional Mobility Authority.
- **Cost to South Padre Island Residents** – A bridge built with revenue bonds by a Regional Mobility Authority would cost South Padre Island and its taxpayers nothing except the tolls they would pay to use the bridge.
- **New Construction** – A new north bridge will spur new construction of hotels, restaurants, and retail establishments on the north side of South Padre Island.
- **New Jobs** – This construction will create new jobs for Port Isabel and South Padre Island residents in hotels, restaurants, and retail establishments in the area. Not only will construction jobs be created, but also long lasting jobs in the new establishments that are built.
- **Tax Base** – New ad valorem tax revenue will be brought to the Island from the new establishments that are built. The new establishments will also generate new sales tax revenue, occupancy tax revenue, and mixed beverage tax revenue.

Another infrastructure improvement that could greatly enhance access to South Padre Island would be improvements to the Port Isabel Airport, which is owned by Cameron County and leased to Southwind. It has 5 runways, the longest of which is 8,000 feet, and one hangar. It is used by cargo planes and small private planes, and it has no landing fees. A nearby airport for South Padre Island could be a tremendous asset, especially if it is upgraded to a level that could accommodate corporate jets and private airplanes of patrons and second homeowners on South Padre Island, as well as airplane enthusiasts that are permanent residents of the region.

THK has visited with Aviation Management, experts in the field of assessing the potentials for airports, and they prepare very detail plans for how an airport should be expanded to meet existing and future demands. It is recommended that a detailed assessment of airport

development opportunities, with recommendations and budgets for improvements, be completed with a program for potential funding. A program for improvements should be aggressively pursued and a promotional and marketing program to make prospects aware of the Port Isabel/South Padre Island Airport will need to be implemented.

## **XIV. IMPLEMENTATION AND MARKETING STRATEGIES**

The first challenge facing those who set out to implement the comprehensive development program is to communicate the vision to the many parties who must agree on what can and should happen on South Padre Island and whose support, money, time, creativity, and hard work are necessary to make it happen; that is the task of good leadership. The second challenge is to cultivate the vision; that is the task of good management. Communicating the vision requires an unshakable belief in the rightness of the cause and a determination to ignite the interest and support of others. Cultivating the vision requires a strong commitment to seeing the plan through and a willingness to work with other people, other organizations, and the broader community.

The development program and strategy outlined in this report define a vision for South Padre Island that fits well with the goal of capitalizing on market opportunities, planning for responsible growth, and the larger goal of creating a vital and respectable town center. This study's conclusions about what can and should be developed on South Padre Island need to be, and no doubt will be, subjected to a hard evaluation by the planning and real estate professionals and by the broader community in South Padre Island.

South Padre Island's leadership should move quickly to review and discuss the programs proposed here and to adopt a plan with any modifications determined necessary. There is no cheap, easy, quick way to program South Padre Island's future. What is required is commitment to a well-thought-out, long-range comprehensive plan with steady follow-through. It is time to move forward. This study's proposals should be immediately referred to the South Padre Island leadership and citizenry for consideration, with any positive recommendations.

The public's interest should be aroused, and public comment should be generated by the local newspaper and radio station. Considerable input should be solicited, and while the views will be diverse, there should be a common theme that suggests that a well thought out comprehensive planning program with a vibrant town center still plays an important role as a recreational, social, governmental, and civic center for the broader public. Keeping that interest alive and listening to the public's ideas will be critical. Public hearings at every step along the way will broaden that input and will avoid any criticism that the process was secretive or exclusive. Maximum sunshine should be allowed into the process.

### **A. Community Endorsed Comprehensive Plan for South Padre Island**

An updated comprehensive plan needs to be formulated immediately for South Padre Island and it needs to be implemented with a capital improvements program that is phased and budgeted to meet annual needs. Additionally, it needs to be complemented with an annexation policy and recommended program which address appropriate zoning, subdivision, and other regulations. This comprehensive plan should be formulated by staff with support from outside, planning, traffic, and parking consulting experts and, upon draft, needs to be presented and adopted by the civic and business leadership of South Padre Island, as well as by landowners and residents. This comprehensive planning effort should incorporate and plan for the land uses outlined in the market analysis and it needs to clearly define appropriate areas for future residential development including a variety of densities for single-family units, townhomes, low and mid to highrise condominiums. It will also be important to program appropriate locations for full service hotels as well as for limited service hotels.

THK has recommended that South Padre Island plan for development or redevelopment of a town center and the comprehensive plan should locate the best area to accomplish the many functions that this town center should provide, as well as improvements that will insure its success from urban design criteria, as well as from an economic viability standpoint. Parking, traffic circulation, pedestrian circulation, building facades, wayfinding, street furniture, public art, open space, mix of land uses including retail, office, and residential will all be important elements of this comprehensive planning effort.

The comprehensive plan must also recommend the most appropriate location for the public marina and recreational vehicle park that could incorporate higher intensity residential and retail commercial land uses.

The appropriateness for an 18-hole championship golf course resort community will also be a very important part of the comprehensive planning effort. This could represent over 50% of the total land area that will be developed on South Padre Island over the next decade and it needs to be thoroughly studied to ensure its success.

## **B. Developability**

South Padre Island has a very sophisticated development community that has successfully delivered 400,000 sq. ft. of retail commercial space, as well as thousands of residential and hotel and lodging units. Most of the land use potential outlined in the market analysis can be accommodated by South Padre Island's existing development community if the community provides the necessary infrastructure and a governance program that assures a reasonable approval process for product construction. Land uses that may require a special marketing effort will include a high-end full service hotel, a resort hotel with golf course, a convention center hotel, a public marina and the town center.

Prospects that specialize in each of these types of land uses should be identified and contacted to determine their level of interest. A package demonstrating market feasibility, as well as site alternatives, should be forwarded to each prospect and they should be invited to South Padre Island for a briefing and site inspection, which should be hosted by the South Padre Island Economic Development Corporation and other community leaders. Expenditures will be required to prepare site alternatives for the full service hotels, as well as for the resort golf course community routing plan and the town center proposal. South Padre Island may need to get involved with strategic land acquisitions for the full service convention center hotel, the golf course resort, the public marina, and especially, to assemble the necessary land for the town center.

If creating a town center for South Padre Island is deemed important by its leadership, citizens and businesses, an outside consultant, and maybe the comprehensive planner should prepare a development master plan for the town center. The estimated cost of this task is \$100,000 - \$150,000 and the work should be completed within 90 days of the consultant's selection. This work could start in early January of 2006.

## **C. Additional Town Center Studies**

If South Padre Island decides to move forward with comprehensive town center development efforts, they must undertake a number of special studies and initiatives. In addition to the already completed traffic and parking studies, South Padre Island should commission the following studies and undertake the following initiatives.

### *1. Development Codes and Regulations*

South Padre Island should revise its development codes and regulations. This is important to create consistency within the future town center and to address the unique characteristics of mixed-use development. This includes, but is not limited to, the following characteristics:

- Increased intensity/density of development;
- Mixed land uses;
- Reduced parking ratios;
- Minimum and maximum floor/area ratios;
- Wayfinding and enhanced pedestrian mobility;
- Land use transitions

An approach successfully utilized in other parts of the country that has particular relevancy within the town center in the establishment of a combination of development regulations, which pertain to permitted uses, building setbacks, building materials, public open space, the development review process, and so forth, and design guidelines, which pertain to parking location and type, street furniture and fixtures, architectural design elements, public art and amenities, and so forth. These development regulations and design guidelines can provide South Padre Island with the ability to govern development from a community health, safety, and welfare perspective while, at the same time, providing the development community with enough flexibility to construct unique and creative projects.

### *2. Public Infrastructure Study*

A capital improvement plan and budget analysis for public facilities and transportation infrastructure should be prepared for the town center. Preliminary infrastructure improvement phasing schedules also will be required prior to planning for and the commencement of construction activity. As part of this study, build-to lines must be established so that buildings front directly on existing or future streets. This infrastructure study will need to be reviewed and agreed upon by South Padre Island and the landowners prior to the formulation of the capital improvement plan.

### *3. Public Infrastructure Special Districts*

The implementation mechanism for investing in the public infrastructure improvements could be a new special district formed by South Padre Island. The cost of public infrastructure to support future development could be substantial. The concept of shared parking justifies its inclusion of parking in the infrastructure improvements. When parking is shared among several users, it can become quasi-public space. At the town center, parking spaces could be shared by a hotel, business, and retail uses. In addition, a pro rata share of the residential parking spaces could be set aside for visitors and guests. To the extent that development parcels are either not developed or underdeveloped, the cost of infrastructure improvements would be reduced accordingly.

Investment in parking would occur as development projects start construction. The early completion of the transportation infrastructure will enhance the attractiveness of the town

center development sites. As the local road network is improved, mixed-use development is more likely to be attracted to this specific location.

**APPENDIX**  
**SOURCES OF DATA**

## SOURCES OF DATA

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