



Chapter 7

Economic Development

Town of South Padre Island Comprehensive Plan

The Town's economy is based on its subtropical beach location and its two primary economic engines – tourism and real estate – are a function of its location. The Island's location is also its weaknesses in a place prone to hurricanes, and whose commerce is seasonal.

The Town's Economic Development Policy has three primary goals:

1. Develop a year-round economy with increased residents and tourists
2. Support sound fiscal policies.
3. Support an environment friendly to residents, tourists, and businesses.

Suggestions, ideas and policies that will help achieve these goals

are reviewed below.

Reaching a consensus on economic development is the first step necessary to develop attainable goals and strategies. Effective economic development planning occurs within the context of collaboration and partnership. Additionally, economic development policy for the Town of South Padre Island should be judged by how well the community can create a business environment that will elicit a positive response from tourists, customers, and private investors. The most common method for measuring the effectiveness of economic development is by counting new jobs. The nature of the South Padre Island economy, however, presents a unique challenge for traditional economic development standards. As a result, a more inclusive set of metrics must be used to gauge the community's economic development progress. These include the number of new business startups, retail sales, sales tax collected, hotel/motel taxes collected, value of new construction, and appraised property values.

Purpose & Methodology

This chapter is the result of the combined work of an economic development study done in 2005 by TIP Strategies (“TIPS”) (Austin, TX) for the town's Economic Development Corporation, and the CPAC committee. The original TIPS study is in the Appendix.

The purpose of this chapter is to provide the Town of South Padre Island and area economic development partners with guidance for pursuing opportunities to achieve long-term growth and economic vitality. A number of issues are raised in this plan. Some issues raised in this plan have an indirect impact on the economic development of South Padre Island and lie beyond the direct responsibility of the Town, but are still included because they are considered important and worthy of consideration. Failure to address them will ultimately weaken the Towns' economic vitality.

This economic development chapter is divided into the following two sections:

1. Discussion of trends affecting economic development opportunities in the Town of South Padre Island.
2. Goals and recommended actions to leverage and improve economic development within the Town.

A. Trends Affecting Economic Development

Economic and Demographic Assessment

TIP Strategies, Inc. conducted an economic and demographic assessment of the community and the surrounding area in an effort to arrive at a common understanding of the most significant trends affecting South Padre Island. The following data analysis from secondary sources is presented in the context of the regional economy in order to understand South Padre Island's economic base, its relative position within the Rio Grande Valley, and to uncover potential opportunities to enhance the economic vitality of South Padre Island.



The consulting team (TIP Strategies, Inc.) relied on the most current and accurate data sources (proprietary and public) covering those factors that most clearly reflected South Padre Island's recent economic performance. This analysis included the following:

1. A review of existing economic and demographic data, including population growth, employment growth and distribution, payroll, retail sales, and home ownership; (data and analysis included in Chapter 2)
2. Tours of South Padre Island sites to better understand its economic development product from a real estate standpoint; and
3. Focus group meetings and workshops with area residents and business leaders to establish priorities for appropriate goals and objectives.

Key Findings

The local economy is almost entirely dependent on tourism. The vast majority of jobs on the island are in accommodations, food services, and retail trade. At the same time, the island has a higher than average number of jobs associated with real estate. Employment growth on the island, however, appears to have remained limited during the last ten years.

The current boom in condominium construction on the island would seem to contradict estimates that show a slowly growing population. The most current reliable housing data from the 2000 Census, however, indicate that three-quarters of all units on the island were vacant. In other words, much of the community's housing units are primarily used as seasonal residences. A very large share of the condo units under construction are intended for seasonal use by retirees and investors from northern Mexico. This interpretation of the data was reinforced through interviews with local stakeholders who were familiar with the local real estate market.

While South Padre Island's permanent population is growing at a slower pace, nearby Port Isabel and Laguna Vista have seen their respective populations increase much more rapidly. These trends would indicate that South Padre Island's high prices are forcing potential and current residents to live on the mainland, making it part of a larger urbanized area at the lower end of the Laguna Madre. For example, the growth in retail sales on the Island has begun to lag behind those in Port Isabel, which appears to be emerging as the retail trade center for the area through the recent location of a Wal-Mart Supercenter and other retailers and restaurants.

The Rio Grande Valley is emerging as a major metropolitan area. According to Census Bureau estimates, the population of the two-county area (Cameron and Hidalgo Counties) topped 1 million residents for the first time in 2005. It is no secret that the Valley is growing rapidly. But the nature of the region's recent growth-and the resulting changes in its future character-may be understood by only a few. For example, the two counties accounted for 25 percent of the



state's growth in its baby boomer population from 2000 to 2005. This would indicate that the Valley's economy is providing sufficient job opportunities to attract an age cohort that is in its prime earnings period. Moreover, occupational employment projections indicate that nearly 40 percent of new jobs in the Valley are expected to be in high-paying managerial, technical, and professional fields.

Implications

Together, these trends imply that both South Padre Island and the Rio Grande Valley have reached a strategically significant juncture in their development. While the community is located on an island geographically, TIP Strategies believes that South Padre Island's long-term economic development potential will be limited without the recognition that the community is part of a larger region. In other words, these data imply that the resources for many of South Padre Island's greatest opportunities - from an economic development perspective- can most easily be found in the Valley. Skyrocketing real estate prices have rendered the community unaffordable to the vast majority of persons working on the island, including many working professionals. As a result, South Padre Island is no longer an isolated and affluent enclave in a poor region. Instead, it is inextricably linked through commuting ties and spending patterns with its neighbors across the bridge. An understanding that South Padre Island is only one part of the greater Laguna Madre area should lead to greater cooperation with Port Isabel and Laguna Vista.

At the same time, the emergence of the Rio Grande Valley as a major metropolitan region will hold strong influence over South Padre Island's long-term economic opportunities. For example, the influx of active adults working in higher paying professional careers to the Valley indicates that some of the island's greatest opportunities for increased visitor spending may lie closer to home. Developing South Padre Island as a unique destination-- one that can compete with the growing number of retail, dining, entertainment, and recreation opportunities throughout the remainder of the Valley -- is critical to enhancing South Padre Island's year-round economy

Economic Development SWOT

TIPs Strategies, Inc. conducted a Strengths, Weaknesses, Opportunities, and Threats analysis for South Padre Island to develop a common framework for understanding the town's economic development related issues. This assessment was based on interviews, site visits, data analysis, and the team's experience. The following summary captures the major findings from this analysis:

Strengths

1. Renewed attention from developers
2. Destination for retirement
3. Destination for tourism
4. Sun and surf
5. Proximity to airports in Harlingen and Brownsville
6. Local arts community
7. Passionate leadership

Weaknesses

1. Appearance of Padre Island Boulevard
2. Limited retail and dining
3. Distance from airports in Harlingen and Brownsville
4. Limited roadway access to island
5. Housing costs

Threats

1. Competition from other beach communities in Texas and elsewhere along Gulf Coast
2. Continued stagnation in retail sales
3. Unmanaged development
4. Congestion on roads and beach
5. Divided leadership

Opportunities

1. Padre Island Blvd. make-over
2. Growth in the Valley's population and status
3. Changing nature of retirement (i.e., zoomers)
4. Amenities that match "zoomer" interests
5. Regional entertainment and fine dining demand
6. Growth of neighboring communities
7. Joint marketing of Laguna Madre area assets and amenities

The Comprehensive Plan Advisory Committee also discussed the Town's economic Strengths, Weaknesses, Threats and Opportunities and developed the following:

Strengths

1. Location
2. Climate
3. Water proximity
4. Proximity to Mexico

5. Inexpensive labor pool
6. Recreation – SPI is a major regional recreation area
7. Water sports, Fishing, Ecotourism, Outdoor Cultural Diversity
8. Winter Texans
9. Broad spectrum of international visitors
10. Eclectic local culture, atmosphere, fun friendly/informal, relaxed
11. Economic generator for the Valley

Weaknesses

1. Location - susceptible to natural disasters
2. Housing costs / property rentals
3. Limited transportation to/from airport
4. Limited retail and dining, lack of upscale retail, lack of shopping / farmers market
5. Restrictive ordinances (signs, events)
6. Seasonal nature of tourism
7. Lack of a downtown; no town center
8. Unmanaged development

Threats

1. Natural / Unnatural Disaster to ecology (i.e. Red tide, Hurricanes, Oil spills, Beach Erosion)
2. Occasional congestion on the beach, on the roads
3. Spending and increased taxes
4. Increasing amount of unmanaged development
5. Possibility that oil/gas drilling and wells will be located close to Town.
6. Possibility that wind farms will be located close to Town
7. Fluctuation of the economy
8. Interdependency between US/Mexican economies

B. Goals and Recommended Actions

Both TIP's and the CPAC committee agree that developing a year-round economy is a priority; the committee considers it the first priority.

Meeting the economic development goals outlined in this plan will strengthen South Padre Island's position as a leading destination on the Gulf Coast, setting it on a course for long-term economic growth and vitality. The Town of South Padre Island and area economic development allies should recognize that these goals are part of a programmatic approach to economic development. Lack of support for one of the goals may hinder progress in another. Policies and program activities should be considered within the overall context of that programmatic approach and the variety of factors that can influence long-term economic growth in South Padre Island.

- 7.A. Develop a diversified economy in order to increase spending on the Island throughout the year.
- 7.B. Encourage more permanent residents and businesses.
- 7.C. Continue to market the island to targeted populations – locally, regionally, and nationally
- 7.D. Support regional marketing by partnering with the Laguna Madre communities
- 7.E. Support an environment that is friendly to residents and businesses.

GOALS

Recommended Actions

Marketing

- 7.1 Continue to market the Island to the Rio Grande Valley, northern Mexico, and Texas. Targeted local marketing could encourage locals to "Rediscover the Island!"
- 7.2 Develop new national markets and continue to target identified market segments likely to enjoy South Padre Island as a destination.
- 7.3 Continue to identify and target consumer populations for the various recreational activities and businesses the island offers (i.e., kite boarders, windsurfers, ecotourists, Winter Visitors, arts/artists, music, culture enthusiasts, athletic competitors, etc.)

More Residents and Businesses

- 7.4 Continue to work to increase the number of permanent and seasonal residents that make South Padre Island home. More permanent residents will augment retail spending at shops and restaurants on the island.
- 7.5 Position South Padre Island as a destination for a niche market within the broad boomer demographic: *zoomers*, who tend to be more affluent, active, and tend to start their own business or a second career upon “retirement.” To better position itself as a destination for zoomers, and other technology-related professionals, South Padre Island should:
- a. Raise awareness of the island as a business and retirement destination among individuals who participate in professional associations (e.g., legal, financial, accounting, management, etc.).
 - b. Establish a professional network organization for entrepreneurs to raise awareness of the community’s commitment to supporting startups. (e.g., Institute of Senior Professionals).
 - c. Work with local and regional media to ensure local entrepreneurial success stories are published.
 - d. Continue to market in statewide media the town’s entrepreneurship program to attract “lone eagles” (successful professionals who might be leaving larger metropolitan cities and setting up business operations in smaller, slower-paced communities).
 - e. Market the Island as a potential re-location, second-career destination to convention attendees.
 - f. Establish a local volunteer program through which local business professionals and/or retired entrepreneurs can assist with the Island’s marketing efforts.
 - g. Create a brief profile and coherent and coordinated marketing message to assist the volunteers in promoting South Padre Island’s positive aspects.
 - h. Create a formal mechanism through which volunteers could refer leads.

Diversified, year-round economy

- 7.6 Establish the Island as a premier destination for entertainment, culture, and fine dining. To do so, the Island will need to offset and/or leverage our location disadvantage (so far away) by providing unique and high quality products and/or entertainment venues.

- 7.7 Support the enhancement of the entertainment and cultural district (District C-2) on the Island to ensure it is a safe, clean, pedestrian friendly and family friendly destination.
- a. Develop a conceptual site plan for the district as a means for promoting the idea of the district to private investors - both regionally and nationally – in order to reduce potential expense burdens on the Town.
 - b. Establish an organizational structure and local funding options for the entertainment district (e.g., redevelopment authority, public improvement district, tax increment finance district, etc.).
 - c. Construct a Town-owned or privately managed parking garage when needed.
- 7.8 Continue to showcase the Arts and promote live music on South Padre Island. Consideration should be given to:
- a. Expand upon the number and kinds of art festivals encouraged/provided for local and regional artists. Encourage local and regional artists to host collaborative shows and events.
 - b. Support forums (digital; brick and mortar) for local artists to display their works.
 - c. Support concurrent events and festivals to expand joint-promotional opportunities, and co-promote festivals with other Laguna Madre area communities to increase traffic and raise the profile of all Laguna Madre communities.
- 7.9 Review and where necessary, revise town ordinances to allow for activities involved with outdoor arts and craft fairs, and outdoor exhibits (i.e. street vendors, displays/signage, and what constitutes a “special event”).
- 7.10 Continue to market the island's unique character and assets aggressively. Capturing the South Padre Island experience, distilling it into a marketing theme and capitalizing on its message is critical for economic development efforts. The island's eclectic style is a valuable economic commodity.
- 7.11 Position South Padre Island as a destination for eclectic experiences, including beachcombing, ecotourism / bird-watching, fishing, surfing, diving, arts and entertainment, unique shopping and dining, etc.
- 7.12 Support the development of a retail strategy for existing businesses and for the attraction of new specialty boutiques and niche retailers that are characteristic for South Padre Island.
- a. Develop an inventory of properties along Padre Boulevard.

- b. Create an information packet, including the sites inventory, to provide to commercial brokers and individuals seeking to establish retail on the island.
 - c. Continue to survey consumers (area and regional residents and tourists) to determine their shopping patterns and retail needs, as well as their perceptions of South Padre Island.
 - d. Continue to meet with existing island retailers to better understand their product offerings, customer profiles, store traffic, as well as their needs and challenges in their present locations.
 - e. Continue to provide on-going business workshops and seminars for existing retailers and restaurants to communicate a common interest in the retailers' continued growth and success on the island.
 - f. Provide Retail Opportunity Workshops should for those entrepreneurial-minded persons interested in opening a retail business in South Padre Island.
- 7.13 Continue to work to bring people to the island during the “off-seasons” with festivals and events such as water sport activities, a Christmas Mercado, music festivals, etc.
- 7.14 Enhance business assistance and entrepreneurship efforts.
- a. Meet regularly with current and potential entrepreneurs to better understand issues affecting their business decisions.
 - b. Advocate for entrepreneurs by meeting with area taxing entities to ensure they have a strong understanding of how their decisions might influence business investment decisions.
 - c. Advocate for an increase in assistance to local entrepreneurs and help address their issues and challenges.
 - d. Promote networking opportunities and functions for area professionals.
 - e. Facilitate financing for entrepreneurs, including consideration of the development of a revolving loan fund; encourage local lenders to offer small business loans (and strengthen their Community Reinvestment Act ratings); and leverage existing state and federal programs that offer business startup assistance (e.g., Small Business Development Center, etc.)
 - f. Consider the expansion of high speed internet and wireless telecommunications on the island to support startups.

Regional Marketing

- 7.15 Market Port Isabel, Laguna Vista, and the remainder of the Laguna Madre area as part of South Padre Island’s “product.”

- 7.16 Increase coordination of planning efforts with Laguna Madre area communities to meet shared challenges and leverage common strengths.
- a. Continue requesting and/or hosting a meeting with community leaders from Port Isabel and Laguna Madre to express South Padre Island's interest and willingness to work as a partner with its neighbors and begin to identify shared policy concerns (i.e., housing, transportation, education, etc.).
 - b. Hold monthly meetings through which updates on progress can be held. This forum should also be used to establish trust and goodwill and to develop a foundation from which future progress can be built.
 - c. Attempt to develop a common vision among these community leaders for the Laguna Madre area as whole.
 - d. Develop a common position among South Padre Island, Port Isabel, and Laguna Vista on the various challenges facing these communities.
 - e. Leverage common economic development goals to establish a coordinated marketing message for the Laguna Madre area.
- 7.17 Participate in Valley-wide economic development efforts to raise awareness of South Padre Island. Area economic development alliances should focus efforts on enhancing the island's profile as a regional economic development partner. This activity may serve as a medium for marketing the community to business professionals who might choose to shop or personally invest on the island.
- a. Assist in promoting economic development initiatives in other Valley cities and towns.
 - b. Offer to host "developer days" and/or other regional economic development promotional events as a means of assisting Valley partners and a method of drawing attention to the Island's assets among prospective decision makers.

Environment for Residents and Businesses

- 7.18 Support ordinances, events and policies that enhance the Island's economic development potential.
- 7.19 Recognize the interdependent relationship that exists between residents and businesses.

C. Arts, Culture & Historical Preservation – A Means to Help Improve the Town’s Economy

Arts

Arts in any community add a sense of community spirit, creativity and uniqueness. Artists as citizens add richness and interest to the community. Art education and presentations offer activities for both residents and guests. The arts can celebrate our natural surroundings and educate about their needs. On South Padre Island visual arts, creative writing, theater and music could provide year round tourist attractions with no ecological ramifications or disturbance to the public. The richness of the island experience can only be enhanced by extending a welcome to artists and art events.

GOALS

- 7.F. Encourage and support outdoor art events.
- 7.G. Affirm that arts in our community are an important part of our island experience and encourage creative outlets.
- 7.H. Work with the CVB to continue to incorporate local arts into their functions such as special events, historical preservation and marketing and to continue to support artists and art events in the community.

Recommended actions:

- 7.20. Review and update all Town ordinances to allow for the above goals.
- 7.21. Use the CVB website to promote local artists on its website and encourage art events to support arts in our community. The CVB should continue to allocate appropriate funds and services to promote and market arts in the community.
- 7.22. Create a juried show of bird and nature themed art to be exhibited at the new World Birding Center on South Padre Island.
- 7.23. Establish a public location that can be made available as a place to have arts and crafts sales, farmers markets and art displays.
- 7.24. Continue to fund public art.
- 7.25. Seek locations that may serve additional purposes and provide space for art education and organizations.
- 7.26. Develop a space committed to art exhibits, classes and studio space.

Historical Preservation

While South Padre Island is a relatively young town, the island itself has a fascinating history that reads like an adventure novel. Few guests and residents know the details of our shipwrecks, natives, pirates and even our development into a town. Our rich history can and should be presented as an enriching and educational tourist experience. By so doing, we will collaborate as a community, which will instill pride in our Town and our history.

- 7.I. Place historical plaques and markers at beach access points creating a "historical walking tour". This would make for interesting tourist experiences, add artistic interest to beach access points and encourage walking and biking. These markers could discuss some of the interesting points of island history such as the Singer family experience, the native tribe, the Spanish shipwrecks and more.
- 7.J. Support and enrich the new historical presentation area to be located in the new city hall. Adding local stories and community information will be a wonderful display as well as a cohesive community activity.
- 7.K. Preserve the architectural history of South Padre Island. South Padre does not benefit from the architectural history that other communities have. In our climate, buildings do not last long and economic growth and re-development often change the landscape. However, the history of business and home construction is fascinating. Our "classic beach houses" and early businesses may be gone or rapidly disappearing but, a historical reference should be created to preserve their stories.
- 7.L. Use CVB funds to create historical areas of interest and activities for visitors and residents alike in as much as State law will allow.

GOALS

Recommended Actions

- 7.27. Continue to expand the efforts of the Historical Preservation Committee.
- 7.28. Develop strategies to fund historical preservation initiatives with the Hotel-Motel Tax, Town funding, and public donations.

Island Culture

South Padre has a unique culture which is defined in our vast differences and eccentricities. We are an unusual community in that our residents are all from different geographical backgrounds and ethnic cultures. We are an eccentric group of creative individuals who embrace the relaxed tropical atmosphere of the island. By defining our culture and having pride in it, we can preserve it. The “Keep Austin weird” campaign served to unify a community around a simple sentiment of acceptance and creativity. This sort of expression bonds a group with common culture. The report provided by TIPS Strategy recommends this kind of cultural marketing, which is reflected in the current “Be yourself here” campaign by the Adkins Agency.

7.M. Define our culture. It may not be a slogan or a t-shirt campaign; it may be a community tag line that expresses our cultural uniqueness.

7.N. Celebrate the culture as part of special events and community events.

Recommended Actions

7.29. Sponsor more cultural events, which can be anything from supporting local surfers to allowing local artists to display their coastal art.

7.30. Do not take ourselves too seriously. Culture and community personality do not develop from policy and regulation, but rather on an attitude that permeates everything from architectural style to language.

7.31. Allow our citizens to express their uniqueness. From these freedoms, fun cultural events, unique businesses and wonderful personalities will emerge and a cultural movement develops.

Conclusion

The island must be a nice place to live, to visit and to do business. The Town’s future depends on its tourist and real estate economy and the extent to which it can convert a seasonal commercial season to a year-round economy. In the long-run, however, the Town should always keep in mind that growth and development should take place in a sustainable manner.