GALVESTON

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Introduction

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INTRODUCTION

Galveston is the premier historic district of the Houston region. The revitalization and advancement of this district will have a social, economic, and environmental payback for the existing businesses and citizens of the island (a triple bottom line). Many other port cities that have invested in their historic downtowns are now enjoying the fruits of their actions. Charleston, South Carolina; Alexandria, Virginia; Portland, Oregon; and San Francisco, California; are a few examples. In each of these cities the public sector led the way by creating public parks, public parking structures, waterfront promenades, along with the redevelopment of upscale streetscapes with a focus on the pedestrian. These investments resulted in private sector development of infill sites and historic buildings restoration. The resulting districts became vibrant mixed use districts with retail, residential, restaurant, entertainment venues, workplace businesses, and a variety of cultural and social establishments.

Galveston is at a fork in the road. The choices that are made will set the course of actions that will affect the next generation and the future of the city for many generations.

The Historic Downtown District is the heart and soul of Galveston Island and represents the heritage of the community. How the city treats this area sends a clear message to citizens, visitors, and investors. The historic downtown seaport area has suffered from many years of destructive development practices and deterioration. The tight urban fabric has been replaced with surface parking lots, drive through bank tellers, streets in disrepair, and a noticeable lack of vegetation in inviting parks and open spaces. This has resulted in abandoned buildings, unkempt lots, unfriendly and ugly waterfront, and a decline in businesses. If the road of inaction is selected, the downtown will continue to deteriorate, and like other abandoned urban areas, it will likely become a slum. The future can be bright. Galveston's historic downtown seaport has the potential to be one of the country's national historic treasures and become a place that draws people. If the city chooses the road of a call to action and invests in creating a place worthy of the community, then the citizens, visitors, and investors will return, and a renaissance can occur that will affect the whole island.

The regional economic analysis and downtown retail analysis clearly show a clear demand for a vibrant mixed use district to support the island and serve the region. To take advantage of these opportunities, the City must develop a hospitable environment that affords residents, employers, and visitors of the island an unforgettable experience; an experience that will cause them to want to return and spend many hours in the Historic Downtown Seaport District. This will result in a financial reward and support adjacent communities such as historic residential neighborhoods, the seawall hotels and convention centers, the UTMB campus, and a further redevelopment and expansion of the cruise ship business.

Galveston has the opportunity to reposition the city as the leader in the preservation of Texas' heritage and an emerging coastal city of the future. The Historic District can become the coastal playground for the Houston region. If there is any question of the importance of the city's investment and making the downtown area livable by investing in the public space, then consider Manhattan with no Central Park; San Antonio with no River Walk; Moody Garden with no garden; University of Texas with no East Mall.

The Galveston Historic Downtown Seaport Master Plan, which was prepared for the Historic Downtown Strand Seaport Partnership, lays out suggestions for revitalization action. This plan was created out of a public input process that engaged a broad range of stakeholders from Galveston Island. Attached is a brief summary of the plan.

Galveston Implementation Strategies

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November 2010

Now that the analysis and recommendations are completed, we'll turn to the question of their implementation. We believe that Phase I improvements will make a substantial, positive impact on the health of downtown and can be completed over the next 5 years. These successes will build momentum to make other improvements and will create new development and cultural opportunities along with their attendant challenges. Rebuilding a city's downtown takes place over multiple decades. Such a long time period is required because of the complexities of the tasks, changing economic pressures and the large sums of money required to implement those tasks.

Downtown has the potential for embarking on a new era of success. Downtown Galveston and UTMB combine to create the largest concentration of jobs on the Island. Downtown has 3,000 jobs, 2,400 of which are low and moderate income jobs, and UTMB has 7,400 jobs, with at least half of them being LMI jobs. It is important to protect and expand the existing job and tax base of downtown.

Fortunately, new businesses and housing can be attracted to under-utilized existing buildings and to undeveloped land, in and adjacent to downtown. The potential for a variety of development is great, although, the existing tax base is weak. The current assessment for the entire study area is projected by the Central Appraisal District to represent only 2%-2.5% of Island wide values and to total roughly $80,211,874. We were stunned by how small this number is.

Certainly, an aggressive economic development effort, as recommended, could expect to expand downtown's real estate value by 8 times. In Roanoke, VA an investment in the early 1980's of $27.5 million generated downtown private investment of $335 million by the year 2000. Other communities across the United States have seen multiplier of 5-10 times. Galveston's potential is great given its proximity to the water and the previous improvements and business attraction which have occurred. However, as Dr. Fuller has noted, time is of the essence and funds are available now to make the improvements needed to revitalize downtown. The question then becomes how to proceed.

Many communities assign oversight and implementation for this task to an independent, non-profit organization. Such an organization would need to have, or create, an acceptable level of trust among business owners, business operators, cultural institutions, governmental organizations, downtown residents and the community at large on Galveston Island, Galveston County and the greater Houston region. Additionally, this organization must be able to design and manage projects and build those projects within predetermined budgets. All of these tasks require professionalism and laser focus on the needs of downtown. Additionally, all of these tasks must take place in the public arena and will demand constructive and honest interaction with the public, along with respect for diverse and differing opinions. Lastly, no important project can be successful without a continuing interaction with the media and an understanding of the role of the news media in our society. A positive relationship with the news media is critical.

It is unlikely that any existing organization possesses all of the traits and experiences noted in the previous paragraphs. However, one organization, The Historic Downtown Strand and Seaport Partnership, already has many of the critical elements required for success. This organization has long been an advocate for Downtown issues and is the largest and most diverse of any organization that focuses on Downtown. Their current staff would need to be supplemented with additional staff and/or consulting contractors to assist in this undertaking. We are recommending them as the implementing arm because of the trust that they have earned from the entire Downtown community and the public at large. They are viewed as honest and can provide a context for merging downtown and community needs. They are trusted to manage funds that come from public agencies, non-profit organizations and private institutions. We believe that they offer the community a clear and steady way forward toward an exciting, revitalized and vibrant downtown Galveston.

Regional Economic Analysis for the Galveston Historic Downtown

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November 2010

EXECUTIVE SUMMARY

The conditions underlying the Galveston County's and the City of Galveston's current economic performance and outlook comprise the challenges and opportunities that will determine their future growth:

» The recent growth of the Galveston County economy has been driven largely by population growth and the development of retail and consumer services to serve the expanding suburban markets in the County and has not been equally competitive with other Houston area suburban counties in establishing employment centers composed of technology-intensive and knowledge-based businesses.

» Galveston County is projected to experience substantial population and employment growth over the next twenty years although these rates growth do not maintain the County's share of the regional economy and do not show the County to be capturing an increasing share of the region's new technology-intensive businesses.

» The Houston metropolitan area is projected to add almost one million new jobs by 2030 and Galveston County's share of this job growth is projected to stay at 4.2 percent for an increase of 40,000 jobs. However, this gain masks the unequal mix of economic growth projected for the County that will be dominated by slower growing sectors and an employment structure that is characterized by below-average wages.

» The pattern of economic decline that currently describes Galveston City's economy was underway well before September 13, 2008 and has been accelerated as a result of the damages caused by Hurricane Ike;

» While each of the City's primary core sectors—tourism and hospitality, health and education, government, and the port and port-related businesses—are underperforming their respective long-term growth potentials, the major short-term weakness in the local economy is its growing inability to retain and re-circulate locally generated income within its supporting business base;

» The City's declining population, its below-average household size and large proportion of younger adults and persons age 65 years old and older, its low level of labor force participation, and below-average incomes all contribute to a weak and declining retail and consumer service base as the foundation for the City's economy;

» The City's economy is experiencing decline in its residentially supported retail and consumer services base because of the loss of residents and growth of lower wage jobs. The erosion of purchasing power and subsequent decline in the retail and consumer services sector have undermined the local economy's ability to serve its residents thereby forcing residents to increasingly shop outside the City's economy further diminishing the sales potential of the local retail market.

- This erosion of retail and consumer services has had collateral impacts on the tourist/hospitality industry, as with fewer retail and consumer services outlets available to serve local residents there are also fewer retail and consumer services outlets available to capture the spending of the many seasonal visitors to Galveston.
- Re-establishing the City's capacity to serve its residential base and to increase its capture of potential tourist spending is a critical objective in re-building the City's economy. In the absence of a strong residentially supported retail and consumer services base, the City's economy will continue to lose the earnings gained from its core industries (even if these are underperforming at present) and the local economy will erode further undermining its ability to support and expand the year-round resident population.
- Having a viable local-serving retail and consumer services base is critical to the livability of the City. The more livable the City the more households that will want to take up residence there. And, with more residents moving to the City, the retail market potential also will become stronger and the larger the resident workforce will be better able to serve the City's core industries further expanding the City's economy.
- While strengthening the core industries in which the City has a historic and continuing competitive advantage must be the principal objective of the City's long-term economic development strategies, rebuilding the residentially supported retail and consumer services base on the Island is the key short-term solution to re-establishing the local economy's vitality.
- Pre-Hurricane Ike forecasts for the Houston metropolitan area, Galveston County and the City of Galveston underscore the growing competitive disadvantages projected for the City—slower population and household growth resulting in a declining share of the regional market potential and significantly slower job growth over the 2010-2030 period resulting in the City becoming more economically dependent on the County and metropolitan area for its employment opportunities.

ECONOMIC DEVELOPMENT STRATEGIES FOR GALVESTON COUNTY

Galveston County can increase its competitive position within the metropolitan area and realize even greater job gains going forward. The Houston metropolitan area is projected to add almost a 1 million net new jobs during this period while job growth forecast for the County of 40,000 net new jobs accounts for just 4.2 percent of the projected increase, a share equivalent to its current share of the region's job base. Given the County's assets and its availability of undeveloped land for industrial, business and research parks, it is possible that job growth in the County could exceed projections.

However, the County needs to shift its current job growth patterns away from the recent rapid growth of residentially supported retail and consumer services to new and emerging export sectors to ensure that more of the County's future job growth will be in higher-valued added jobs with above-average salaries. These export-based jobs are growing rapidly in Harris County and in other counties north and west of Houston but have lagged in Galveston County where job growth continues to be dominated by manufacturing, petrochemicals, transportation and retail and consumer services.

Key opportunities for accelerating the County's growth could build from linking health-related research being hosted by the University of Texas Medical Branch and its National Laboratory in the City with NASA's space medicine programs at the Manned Flight Space Center and the University of Houston Medical Center. By centering these research activities and their potential for commercialization at research centers developed in the County where privately funded enterprises can co-locate with not-for-profit research-oriented institutions a distinctive place can be created at which these new economic activities can be nurtured. The County currently lacks fully serviced research parks that could attract and accommodate the new technology-intensive businesses that will be the leading edge of Houston's projected economic growth in the coming decade.

Achieving job growth rates greater than projected in the County and shifting the mix of these new jobs to favor higher value-added and higher-wage employment will not occur without targeted economic development investments on the part of the County. Aggressive efforts will be required to increase the County's attraction of the types of businesses that will enjoy the fastest growth rates in the Houston area going forward—professional and business services, health and education, and related-technology and research-oriented businesses.

Growing this type of employment base in Galveston County could benefit the City's residents by bringing these "better" jobs closer to the City thereby reducing commuting distances and time, and resulting in these higher wages being brought back on to the Island to be spent locally in support is the City's retail and consumer services establishments.

ECONOMIC DEVELOPMENT STRATEGIES FOR THE CITY OF GALVESTON

The interdependencies among housing, population, labor force, personal income, and retail and consumer service market potential are fundamental and can provide the solution to the City's declining economy. As the key to revitalizing and re-invigorating the City's economy is the attraction of residential investment, the strategies and programs required to accomplish this objective must focus on re-establishing a favorable residential investment climate on the Island. Residential investment normally follows or responds to the growth of jobs; that is the suburban model. In Galveston, with the job base shrinking, a different set of conditions must be established in order to make the City attractive to residential investment.

The strategies for securing more housing and residents must target the impediments to residential growth, reflect the City's inherent strengths, and build on its unique opportunities. These strategies must create a "sense of place" that provides potential residents the identity that they cannot find in competing jurisdictions building on the history and uniquenesses that have defined the City in the past.

Revitalization strategies for the City must target re-establishing the City as a good place in which to live and do business while also providing the basis for strengthening the City's longer-term competitiveness in the Houston metropolitan area. These strategies should be directed toward achieving two objectives simultaneously: (1) increasing the City's population and (2) increasing disposable household incomes thereby expanding the local market capacity at a faster rate than the City's population.

Upgrading the City's infrastructure, community facilities and services, the qualities of life that impact residents—visual, aesthetic, environmental—are key to re-establishing its competitive position as a residential community. Once this supporting framework is in place, the expansion of the City's housing stock will enable the population base to grow and, as the City's population grows, its market potential for retail and consumer services will grow. And, as the City's retail and consumer services base expands, the City's economy will increase its retention of the income and spending generated by its core sectors.

The initial market for new housing in the City will consist of submarkets that may be (1) under-served in the City such as employees and students at the University of Texas Medical Branch and other business and public sector workers residing on the mainland and commuting in and out of the City daily; (2) pioneers—workers who may be self-employed or can telecommute, and young professionals, and (3) empty nesters and retirees. An additional important source of potential future housing demand will include new job holders working in Galveston County who may be attracted to the City to live because of its sense of place and qualities of life that have been achieved to support the growth of the City's year-round residential base.

Current Economic Conditions and Near-Term Outlook for Galveston County and the City of Galveston

SUMMARY OF FINDINGS

The impacts of Hurricane Ike accelerated the structural economic changes that were in evidence in the City of Galveston prior to 2008. In addition to severely damaging the economy's physical facilities and supporting public infrastructure, the loss of residents and their purchasing power and the erosion of the City's competitive position within the metropolitan area economy have reduced its ability to attract new business and residential investment. In order to successfully rebuild the local economy, redevelopment strategies and programs must focus on the City's inherent strengths while also addressing development barriers and constraints.

The underlying strengths of the City's economy—the building blocks for achieving sustainable economic growth into the future—are its core industries: tourism and the hospitality industry, health and education as reflected in the presence of the University of Texas Medical Branch, the government center, and the Port and its related industrial and business activities. These have been and will continue to be the City's principal sources of external or export business activities that bring new money into the local economy. Each of these core sectors has growth potential that needs to be realized in order to increase the direct and indirect benefits that will flow into the local economy from their respective business activities.

However, the success of these core industries in enlarging the City's economy is currently limited by the inability of the local economy to retain and re-cycle these economic flows. The key to growing the City's economy will be to re-establish the City's residential-serving business activities that can support local residents, visitors and other businesses. And, the key to re-establishing these residential-serving activities is to re-build the City's year-round population base. By expanding the City's population base its resident labor force be enlarged resulting in increased household income strengthening the resident market potential for retail and consumer services. The analyses of the local and regional economic conditions, trends and forecasts developed herein will provide the basis for formulating effective strategies to achieve the City's economic revitalization that will be presented in an accompanying report.

INTRODUCTION

The City of Galveston's economic future was significantly altered on September 13, 2008 when Hurricane Ike caused devastating flooding in the City destroying a significant number of structures, businesses and mature trees. The physical devastation may have permanently changed the City's ability to compete for business investment due to the fear of future flooding and reduced the City's attractiveness for residential investment. The post-Hurricane Ike realities facing the City raise the question: what type of economy the City can support going forward? And, once this question is answered, what strategies and actions will be required to achieve the City's restated economic potentials?

To answer these questions requires an understanding of the City's role in the regional economy both historically and going forward. Additionally, the City's inherent competitive advantages and disadvantages must be clearly understood as an effective strategy and plan for future development and economic growth must build on the City's strengths and reflect the realities of its liabilities, and where possible, these strategies and plans will need to address and ameliorate these liabilities to the maximum extent possible.

Rebuilding the City's economy does not necessarily mean going back to the pre-hurricane economy and putting it back on the tracks and extending it into the future as if nothing happened in September 2008. While this approach is not uncommon, that is, the idea that by repairing the physical damage the economy will pick up where it left off as if the hurricane was only a disruption in what otherwise is a continuing pattern of economic growth. However, further examination will confirm that the pre-hurricane economy and the post-hurricane economy will likely be very different with the disruption resulting from the damage caused by Hurricane Ike altering the fundamental structure of the local economy by changing its competitive position in the regional economy.

Still, it is a good starting point in an analysis of the City's alternative economic futures to consider what kind of economy it had prior to the arrival of Hurricane Ike and what the City's economic future would have looked like had Hurricane Ike not occurred. This retrospective analysis will identify unique strengths (and weaknesses) in the City's economy that will need to be reflected in the formulation of a realistic development strategy that will provide the basis for renewed economic growth in the City. The City of Galveston's economy is a reflection of its physical isolation and yet this economy is also an integral part of the Houston metropolitan area. This apparent contradiction may offer the City strategic options for rebuilding its economy and for positioning it for a level and mix of economic growth that would not be sustainable if its choices where limited to what could be supported from within the confines of the City's physical boundaries.

The analyses reported in the following pages will include: the analyses of the City's pre-Hurricane Ike economy and its outlook; an analysis of the regional economy, its projected growth and the shares of this regional economic growth projected to occur in Galveston County and the City; and an assessment of the City's competitive assets and liabilities that should provide the framework for its future economic performance. This latter analysis will establish the bases for formulating economic development strategies and actions that will achieve the City's economic revitalization building on its strengths and limitations. The City of Galveston's economy is currently underperforming its inherent potentials. Reversing this pattern of underperformance can be achieved by establishing a rational plan based on realistic objectives, with public sector leadership and investment to establish the pre-conditions for continuing private investment and a self-sustaining economy into the future.

THE CITY OF GALVESTON'S ECONOMIC BASE

The City's economic base is a blend of residentially supported business activities (retail and consumer services) and export activities that attract spending (income0 into the local economy from external sources such as tourism and government. The University of Texas Medical Branch and the port are also export industries. For most cities, it is this combination of economic activity that comprises its economy; that external monies are attracted into local businesses and their employees spend their earnings for consumer goods and services in local stores creating additional employment and income.

Most city economies start with the residentially supported businesses scaled to serve the resident population and as the city grows its growth is driven by export income. This income may be generated by local residents commuting to jobs located away from the city (this describes a suburban community's economy) and by businesses located locally that serve a non-local market (manufacturing is a prime example). For an island economy the residentially supported commercial base takes on an even more important role as the vitality of the economy is determined by the ability of the local economy to retain the external monies attracted to it by its export base.

The residentially supported economy in the City of Galveston reflects its population size, its income, and its access to competitive retail and service outlets located outside the City. Scale is important, as modern retailing requires a larger population base than its predecessors. This is seen in the trends towards larger grocery and drug stores and has influenced most necessity and convenience retail as national chains have become more prominent and technology has been substituted for employees. With this modern retail structure locating in large suburban shopping centers within relatively easy driving time from the City along I-45 in Galveston County, the City's retail base has become less competitive and has experienced a declining capture rate for locally generated retail and consumer services demand.

However, even more important to the future of the residentially supported retail and consumer service base in the City has been the slow decline in the number of year-round residents living on the island and their changing household and income structure. These patterns are seen in the following tables.

Not only has the City's residential population declined, this pattern of decline was well underway prior to Hurricane Ike; during the 1990-2000 period the City's population declined by 3.1 percent. In contrast, the County population has maintained a stable growth rate averaging approximately 15% per decade. However, it should be noted that the metropolitan area's population has grown considerably faster than in Galveston underscoring the uneven growth patterns being experienced within the Houston region. This uneven growth pattern suggests that Galveston County and therefore the City, too, may be less competitive in attracting new residents and the economic activity needed to support this new workforce and market potential.

TABLE 1

TOTAL POPULATION AND POPULATION CHANGE: 1990, 2000 AND 2009

	YEAR			CHANGE		PERCENT CHANGE	
	1990	2000	2009	1990-2000	2000-2009	1990-2000	2000-2009
Galveston City	59,070	57,247	57,039	-1,823	-208	-3.1%	-0.4%
Galveston County	217,396	250,158	286,814	32,762	36,656	15.1%	14.7%
Houston Area[1]	3,731,014	4,669,571	5,815,339	938,557	1,145,768	25.2%	24.5%

1 Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties.
Source: U.S. Census Bureau, Annual Population Estimates for Counties and Incorporated Places.

And, not only has the City's population experienced a long-term decline, its age distribution is different than in neighboring jurisdictions. While having a different age distribution in a smaller and more isolated jurisdiction is not uncommon, it does have ramifications for the local economy. As shown in Table 2, the major age differences between the City's population and the County's and metropolitan area's (the County and metro area are not significantly different) is the percentage of younger and older population.

Its population under the age of 20 years is much lower in the City than outside the city while its population 65 years old and over is greater. The City's population has few children and more retirees proportionally compared to the County and metropolitan area. Ordinarily, when there is a relatively large population in the 20- to-34 age group, there are also a large number of children. And, it would seem logical that a place that is attractive to tourists would also have a larger retirement population than jurisdictions where tourism is not a major attraction.

What this age distribution suggests is that the City's population may have a different household structure than is found typically in suburban jurisdictions consisting of more one-person households. This may reflect the impact of the University of Texas Medical Branch, the housing and life style patterns on the island, the quality of schools and other public services and the structure of the economy with its seasonal employment patterns and lower wage structure. What it does suggest is that this population structure will not have the same purchasing power or retail sales patterns as found in more suburban-like residential communities.

TABLE 2

AGE DISTRIBUTION: 2009

	GALVESTON CITY		GALVESTON COUNTY		HOUSTON AREA[1]	
	No.	%	No.	%	No.	%
Total Population	57,039	100.0%	286,814	100.0%	5,815,339	100.0%
Under 20	12,773	22.4%	81,661	28.5%	1,792,748	30.8%
20 to 34	14,836	26.0%	58,303	20.3%	1,259,007	21.6%
35 to 64	22,053	38.7%	116,134	40.5%	2,281,831	39.2%
65 or Older	7,378	12.9%	30,715	10.7%	481,754	8.3%

1 Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties.
Source: CRA calculations from 2008 and 2006-2008 American Community Survey Estimates and Census Bureau 2009 Population Estimates.

The ethnic mix of the City's population, as shown on Table 3, does not provide any further insight that would explain the City's different population age distribution. As an island economy, the City appears to be slightly less diversified in its ethnic or racial mix. But, this difference can also be explained in part by the types of jobs available in the City as shown in Table 6. The lower percentage of Hispanic residents could be linked to the much weaker construction and retail sectors in the City economy than in the County or elsewhere in the metropolitan area.

The income characteristics of the City's population, as presented in Table 5, as affected by many factors, by household size, educational level, and mix of employment are among the major determinants. As shown in Table 4, educational attainment patterns do not vary significantly between the City's population and that of the remainder of the Houston metropolitan area although the differences are not favorable to the City. The resident population has a slightly less educated population but the differences are not great. However, the educational attainment data for the City are likely to be distorted by the age structure that favors a larger percentage of younger adults who would typically have achieved greater levels of education than older adults and the presence of the University of Texas Medical Branch and its residential staff. Although there is no way to standardize the educational attainment numbers for the City, it is likely that they are overstated and the differences are greater than indicated in the Census data. One further indication that this may be the case is the income patterns for the City shown in Table 5.

TABLE 3
RACE/ETHNICITY: 2009

	GALVESTON CITY		GALVESTON COUNTY		HOUSTON AREA[1]	
	No.	%	No.	%	No.	%
Total Population	57,039	100.0%	286,814	100.0%	5,815,339	100.0%
White	39,434	69.1%	228,416	79.6%	3,894,890	67.0%
Black/African American	12,077	21.2%	42,007	14.6%	995,379	17.1%
Asian	1,800	3.2%	8,902	3.1%	366,989	6.3%
Other Race	3,728	6.5%	7,489	2.6%	558,080	9.6%
Hispanic or Latino (any race) [2]	15,993	28.0%	61,570	21.5%	1,974,437	34.0%

a Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties.
b May be of any race.
Source: CRA calculations from 2008 and 2006-2008 American Community Survey Estimates and Census Bureau 2009 Population Estimates.

The household income for 2009 reported for the City, County and metropolitan area confirm that the City's population base has a lower income structure. This is explained, as previously noted, by its household structure (fewer two-income households), an employment mix reflecting more seasonal jobs and jobs with a lower wage structures, and possibly a less well educated workforce.

An indication of the degree to which the City's households are smaller and therefore have fewer workers per household can be seen in calculating the number of jobs per household: in the City of Galveston, there are only 1.095 workers per household in comparison to the County with 1.35 workers per household and the metropolitan area that has 1.44 workers per household. If the City had the same number of workers per household as the County, it would have had 33,182 jobholders living in the City instead of the 26,844 reported, a difference of 23.6 percent or 6,338 more residents with jobs. And, if the City tracked the metropolitan area with its 1.44 workers per household, its workforce would have totaled 35,241.

Another difference is revealed in these data that helps explain the City's economic performance. The City's population is less likely to be employed than the residents in the County and metropolitan area. Only 73 percent of the City's residents age 20-65 held jobs in 2009 while these percentages were 83 and 81 respectively in the County and metropolitan area. These differences may be explained in part by the differential impacts of the recession (the City's economy may have been more cyclically sensitive), the lower educational attainment among the City's resident workforce, or the presence of adult students (over the age of 20) attending the University of Texas Medical Branch and living in the City. It is clear from this comparison that one major reason for the City's current economic conditions is that its residential population does not generate the same income and spending potential that similar residents do in the County and elsewhere in the Houston area. All of these indicators point to a weaker residentially support economy in the City without which the local economy cannot hope to sustain long-term economic growth.

TABLE 4

EDUCATIONAL ATTAINMENT: 2009

	GALVESTON CITY		GALVESTON COUNTY		HOUSTON AREA[1]	
	No.	%	No.	%	No.	%
Total Population Age 25+	37,565	100.0%	186,707	100.0%	3,634,489	100.0%
Less than high school	7,699	20.5%	25,373	13.6%	723,190	19.9%
High school diploma only	9,873	26.3%	45,511	24.4%	871,020	24.0%
Some college (inc. 2-yr deg)	9,814	26.1%	66,478	35.6%	1,015,330	27.9%
College graduate (BA/BS)	10,179	27.1%	49,346	26.4%	1,024,949	28.2%

1 Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties.
Source: CRA calculations from 2008 and 2006-2008 American Community Survey Estimates and Census Bureau 2009 Population Estimates.

Analysis of the City's changing economic structure, as shown in Tables 6 and 7 by its distribution of employment by sector in 2009 and 2000, identifies its export (as well as residentially supported) sectors and their recent performance. In 2009, the City's economy reflected a clear specialization in just two sectors—education services and health care and arts, entertainment, recreation accommodations and food services. These two sectors, corresponding the presence of the University of Texas Medical Branch and the City's tourism/hospitality industry accounted for 52 percent of all jobs while in the County and metropolitan area, these two sectors accounted for 35.8% and 25.9% respectively. In contrast, the City's economy was comparatively weak in retail trade, manufacturing, and professional and business services.

TABLE 5

HOUSEHOLD INCOME: 2009

	GALVESTON CITY		GALVESTON COUNTY		HOUSTON AREAA	
	No.	%	No.	%	No.	%
Total Households	24,507	100.0%	106,718	100.0%	1,994,739	100.0%
< $25,000	8,922	36.4%	21,842	20.5%	412,988	20.7%
25,000 – 49,999	6,844	27.9%	24,297	22.8%	471,269	23.6%
$50,000 – 74,999	3,534	14.4%	19,748	18.5%	364,939	18.3%
$75,000+	5,207	21.2%	40,830	38.3%	745,543	37.4%

1 Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties.
Source: CRA calculations from 2008 and 2006-2008 American Community Survey Estimates and Census Bureau 2009 Population Estimates.

Even though nine years is not a long time over which to measure structural change in a local economy, some key changes have occurred in the City's economy during this period with some of these having been accelerated due to the impacts of Hurricane Ike. The increase in construction employment and decrease in retail employment appear directly related to Hurricane Ike. The disruption of the retail markets, destruction of retail establishments and loss of residents explains the decline in the retail sector and the rebuilding since 2008 has added construction jobs to the local economy, although these are short-term gains where the loss of retail jobs could be long-term.

The decline of manufacturing jobs could also be tied to the destruction of property but also may reflect the structural change occurring more broadly in the industry compounded by the recession. The decline in employment in educational services and health care is a combination of hurricane-induced impacts and population losses during the decade while decreased government employment may be explained by fiscal belt tightening during the recession (both the City and County show decreases government employment within their jurisdictions).

The one major winner was Arts, Entertainment, and Recreation, and Accommodations and Food Services, with its share of the City's jobs increasing from 15.2% to 20.2% and adding 1,736 jobs. This gain points to the growing dominance of this sector within the City's economy highlighting the continuing shift of the economy away from higher-value added occupations to those that are characterized by lower job skills, greater seasonality, and lower wages.

TABLE 6

INDUSTRY (OF EMPLOYED RESIDENTS): 2009

	GALVESTON CITY		GALVESTON COUNTY		HOUSTON AREA[1]	
	No.	%	No.	%	No.	%
Civilian employed population	26,844	100.0%	144,549	100.0%	2,868,794	100.0%
Agriculture, forestry, fishing and hunting, and mining	212	0.8%	2,154	1.5%	87,459	3.0%
Construction	1,688	6.3%	10,249	7.1%	291,341	10.2%
Manufacturing	986	3.7%	15,470	10.7%	314,582	11.0%
Wholesale trade	424	1.6%	4,122	2.9%	112,451	3.9%
Retail trade	2,358	8.8%	11,528	8.0%	309,037	10.8%
Transportation and warehousing, and utilities	1,081	4.0%	8,903	6.2%	194,186	6.8%
Information	290	1.1%	1,609	1.1%	44,903	1.6%
Finance and insurance, and real estate and rental and leasing	1,753	6.5%	10,035	6.9%	176,133	6.1%
Professional, scientific, and management, and administrative and waste management services	1,808	6.7%	15,340	10.6%	361,987	12.6%
Educational services, and health care and social assistance	8,507	31.7%	36,016	24.9%	519,793	18.1%
Arts, entertainment, and recreation, and accommodation, and food services	5,426	20.2%	15,699	10.9%	222,421	7.8%
Other services, except public administration	1,202	4.5%	7,225	5.0%	147,859	5.2%
Public administration	1,109	4.1%	6,199	4.3%	86,641	3.0%

1 Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties.
Source: CRA calculations from 2008 and 2006-2008 American Community Survey Estimates and Census Bureau 2009 Population Estimates.

The professional and business services sector also added jobs over this nine-year period, increasing its share of all jobs by one-half percentage point. It is unclear whether this increase is sustainable or maybe a short-term effect. Still, it does suggest that these types of jobs can be attracted by the qualities offered within the City and may also suggest opportunities for strengthening the local economy to achieve a better balance with its increasingly dominant tourist sector.

These changing economic patterns over the past decade can be seen in the City's employment patterns over a longer period. The City of Galveston has an economy that reflects its island setting as well as its history. In 2008, prior to the arrival of Hurricane Ike, this economy could be characterized as an anachronism in a modern and dynamic services-based economy. Its core industries included: tourism, port-related industrial and transportation sectors, City and County government, and health sciences and services reflecting a combination of the City's past and its future.

The City's economy also included the retail and other consumer services required to support the needs of its resident population. The presence of several large employers in the business services sectors should not be considered the foundation of another core industry, as their presence was not tied to any local market or locational requirement. Still, this combination of economic activities in aggregate reflects a broad distribution of business activities that provided a relatively stable economic base for many years.

This economic structure, however, was not without its problems. The tourist sector including seasonal residents swelled the City's economic activity during the summer and shoulder seasons but the spending from tourism supported a low-wage and seasonal employment base and was largely independent of the City's other core industries and thereby did not significantly support their growth and vitality. The same could be said for the other core sectors—government, port-related industry, and health—they all functioned largely as independent economic activities with little interdependence.

Their respective locational isolation with each core sector having its own geography reinforced this economic interdependence. The result has been the loss of the essential economic forces that generate extra benefits for the local economy—agglomeration effects—that attract other businesses that can serve multiple core industries and sectors such as legal services, conference centers and business hotels, management and accounting services, information technology and other technical services. While the City has a range of hotels and meeting facilities, restaurants, and professional services these generally are aligned with only a single core industry and have not concentrated in a single business district.

TABLE 7

INDUSTRY (OF EMPLOYED RESIDENTS): 2000

	GALVESTON CITY		GALVESTON COUNTY		HOUSTON AREA[1]	
	No.	%	No.	%	No.	%
Civilian employed population	24,243	100.0%	114,221	100.0%	2,121,615	100.0%
Agriculture, forestry, fishing and hunting, and mining	202	0.8%	1,765	1.5%	52,297	2.5%
Construction	1,310	5.4%	8,931	7.8%	187,280	8.8%
Manufacturing	996	4.1%	14,199	12.4%	256,832	12.1%
Wholesale trade	446	1.8%	3,236	2.8%	98,858	4.7%
Retail trade	2,359	9.7%	11,950	10.5%	236,702	11.2%
Transportation and warehousing, and utilities	856	3.5%	6,187	5.4%	140,954	6.6%
Information	395	1.6%	2,012	1.8%	48,281	2.3%
Finance and insurance, and real estate and rental and leasing	1,493	6.2%	7,063	6.2%	144,317	6.8%
Professional, scientific, and management, and administrative and waste management services	1,495	6.2%	10,000	8.8%	250,656	11.8%
Educational services, and health care and social assistance	8,633	35.6%	27,477	24.1%	375,390	17.7%
Arts, entertainment, and recreation, and accommodation, and food services	3,690	15.2%	9,940	8.7%	147,614	7.0%
Other services, except public administration	1,169	4.8%	5,214	4.6%	112,111	5.3%
Public administration	1,199	4.9%	6,247	5.5%	70,323	3.3%

1 Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller counties.
Source: 2000 Census.

Additionally, the core industries that have been the basis for the City's economic growth over the past are no longer positioned for significant future growth. This is particularly true of the City's industrial base that had been built on shipping and ship repair. The boom days of cotton and other bulk products being exported out of Galveston are long over and only the remnants of this past dot the landscape along the industrial corridor. Technology and changing markets have largely made the City's port obsolete although its deep water docks and cruise terminals have potential for future economic growth but will require significant capital investment to achieve these potentials. As these facilities stand today and as they stood in the years leading up to Hurricane Ike, they were in decline and losing market share (jobs and income) to other port facilities in the region.

The City's tourist industry has also been experiencing a loss of its competitive position over recent decades. This erosion of its competitive position may not have been as visible as the Port's, but its market share of tourist dollars in the region has not kept pace with changing preferences within the hospitality industry. This loss of competitive position has been fueled by demographic trends, changing travel and vacation patterns and direct competition. Beach-related vacations and second-homes are not capturing the same share of tourist spending today as they did twenty years ago. While tourism will continue to generate economic activity in the City, it cannot be expected to drive the economy's future growth given its low-wage employment structure, seasonally, and diminished competitive position within the regional, national and global hospitality industry.

The government sector is what it is. It cannot be expected to drive the City's economic growth but its job base and attractive power remain important contributors to the business and professional services sector in the City although is not sufficient to sustain or even growth this sector by itself.

The University of Texas Medical Branch is a major employer in the City, it attracts large numbers of daily visitors, and it expends significant funds to maintain and service its facilities. Still, the health industry within the City has limited growth potential as its expansion is tied to population growth. As a result of the City's small population, much of the future expansion of medical services will be distributed off the Island in the form off outpatient services with the in-patient services and medical research and education functions being housed on its current campus.

The other sources of employment, those tied more closely to the demands of the City's residents than to its major core industries, grow in response to increased spending power of the residents that is a function of population growth and gains in household income. With population decline and below-average gains in household income, the residentially supported economy in the City has not experienced growth in the decade preceding Hurricane Ike. A contributing factor to this pattern of growing weakness in the residentially supported retail and consumer services sectors is that an increasing number of residents are leaving the island to shop in the larger retail centers along I-45 or may work off the Island and choose to shop near their place of work where the retail services are better than those in the City. This pattern of slow erosion and loss of competitive position that has characterized the City economy has been underway for several decades; it is not a new pattern but was definitely accelerated by the physical devastation suffered from Hurricane Ike.

In the absence of Hurricane Ike, this loss of competitiveness and growing weakness of the City's economy would have continued and its inevitable outcome could have been predicted. Hurricane Ike was not responsible for the long-term decline of the City's core industries. What Ike did was to accelerate this pattern of decline and, at great cost and inconvenience, brought the City's economic future to the fore ten or twenty years sooner than it would have occurred. And, by causing this rapid acceleration of the inevitable economic future, it has enabled the City to intervene and alter this future pattern of economic change much sooner than it would have and at a time when there are options for repositioning the City's economy in the post-recession regional economy that might not have been present at a more distant future date.

Timing is critical in establishing a new competitive position. The choices today for Galveston are different than they will be in 10 years. Acting now and positioning the City within the growing regional economy offers opportunities that will not be available in the future as these will have been taken by other communities and become the basis for their future growth leaving fewer and less attractive economic options upon which Galveston could attempt to position its future economic growth. An examination of projected economic growth patterns in the metropolitan area and I-45 corridor may identify opportunities that the City can tap in developing its new economy going forward. These will be discussed in the next section.

FUTURE ECONOMIC GROWTH PATTERNS IMPACTS THE CITY OF GALVESTON

The future of the City of Galveston changed on September 13, 2008. How the City's economy would have grown had Hurricane Ike not come ashore can be seen in the forecasts prepare by the Houston-Galveston Area Council in 2006 for the period 2010-2030. While these forecasts are out of date because of the Hurricane's impacts on Galveston they also do not reflect the impacts on future economic performance of the Great Recession. Accordingly, these forecast are being revised at this time and new forecasts will be released in early 2011. Still, these forecasts provide insights into how the City, County and the Houston metropolitan area economies were expected to perform over the next twenty years.

The projected performance of the City of Galveston and Galveston County can be constructed from an examination of Tables 8 through 10 showing their relative growth rates in comparison with those projected for the entire eight-county metropolitan area of Houston. The City's population was projected to grow over this twenty-year period reversing its pattern of decline from the nineties but its household size was not expected to change significantly, decreasingly from 2.33 to 2.32. This compares to the metropolitan area's household size of 2.76 in 2010 and 2.64 in 2030.

TABLE 8

PROJECTED POPULATION GROWTH, 2010-2030

YEAR	CITY OF GALVESTON	GALVESTON COUNTY	HOUSTON AREA[1]
2010	59,331	287,513	5,720,444
2020	69,359	344,010	6,828,487
2030	78,397	386,888	8,042,232
% Change	32.1	4.6	40.6
Metro Share '10	1.0	5.0	
Metro Share '30	1.0	4.8	

1 Brazoria, Cambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties
Source: Houston-Galveston Area Council

The importance of household size and the rate of population growth is that these directly affect income growth and the strength of the resident market and therefore the local growth potential for retail and consumer services businesses. This household size differential also underscores the age and workforce patterns identified previously that reflected a disproportionally small population under the age of 20 years and more, older (retired) residents that were typically found in one- and two-person households.

TABLE 9
PROJECTED HOUSEHOLD GROWTH, 2010-2030

YEAR	CITY OF GALVESTON	GALVESTON COUNTY	HOUSTON AREA[1]
2010	25,493	113,708	2,075,442
2020	29,759	139,329	2,539,481
2030	33,793	160,111	3,039,586
% Change	32.6	40.8	46.4
Metro Share '10	1.2	6.7	
Metro Share '30	1.1	5.3	

1 Brazoria, Cambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Countiesv
Source: Houston-Galveston Area Council

A more strategic conclusion can be drawn from the forecasts in Tables 8 and 9. The projected growth of the Houston metropolitan area was not occurring evenly across its county jurisdictions with Galveston capturing a smaller share of future residents. And, by experiencing relatively slower population and household growth, Galveston County was being projected to support slower economic growth in the future than its neighboring counties.

This uneven economic growth forecast is a statement by the Area Council that Galveston County's competitive position is less attractive to growth than the other counties in the metropolitan area and the City of Galveston's competitive position is even weaker than the County's. Still, these forecasts indicate that there is plenty of growth to go around within the Houston metropolitan area in the future and that while it is being loaded into other jurisdictions to a greater extent than into Galveston County or the City, it could locate in a different pattern if competitive positions changed over this twenty-year period.

The jobs forecast for the City of Galveston and Galveston County prior to Hurricane Ike, as shown in Table 10, present a mixed message. However, for the City the message is clear. Over the next 20 years the City's population was projected to grow 32 percent but its job base was projected to increase by just 8.9 percent. These growth rates translate into 19,066 more residents but only 4,160 more jobs located on the island. If this forecast became true, one would have to conclude that most of the new residents would be working off the island, or they would be retired, or they would be too young to work (children). This is unlikely because the City has a below average proportion of its population in the under 20 year old age group. However, the other two scenarios are quite possible and have important implications for the City's economy.

TABLE 10

PROJECTED JOB GROWTH, 2010-2030

YEAR	CITY OF GALVESTON	GALVESTON COUNTY	HOUSTON AREA*
2010	46,952	117,061	2,810,586
2020	49,430	136,425	3,275,509
2030	51,112	157,096	3,771,843
% Change	8.9	34.2	34.2
Metro Share '10	1.6	4.2	
Metro Share '30	1.35	4.2	

1 Brazoria, Cambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties
Source: Houston-Galveston Area Council

Other conclusions from this forecast are:

» Galveston County's job base was projected to grow as fast as the metropolitan area job base even though its population and households were not projected to keep pace with the region's growth rate; and,

» Economic growth in Galveston County was projected to substantially out-pace economic growth in the City with its employment base increasing more than 3 times as fast over the 2010-2030 period.

These forecasts, made before Hurricane Ike destroyed much of the City's economy and altered its competitiveness within the broader metropolitan area, show that the City's economy was expected to experience long-term relative decline; that is, grow substantially more slowly than the County and the remainder of the Houston metropolitan area and become more of a residentially-supported economy than one driven by its traditional core strengths. While the Area Council's forecasts do not include household income trends, it is likely that as the City's economy became more residentially-based and more retail and consumer service oriented, its overall economic health would decline relative to its neighboring jurisdictions and its ability to support the public services and infrastructure necessary to maintain a viable housing market would also be diminished as the local economy lost its export base.

BUILDING A NEW ECONOMY

The analyses in the preceding pages have identified the City's economic strengths as well as the recent trends that were in place well before Hurricane Ike materially altered the City's physical, demographic and economic conditions. The impacts of the Hurricane, while resulting in significant destruction of the economy's physical plant as well as the City's amenities and landscape, also accelerated the economy's structural change. This weakened economy was further damaged by the long recession that was already underway in September 2008 but continued to take its toll through mid-2009.

The City's new economy cannot deviate significantly from its old economy as that economy has evolved over the last century and was shaped by the City's locational assets and liabilities while responding to its changing competitive position relative to the growth and development occurring in neighboring jurisdictions. In that sense, the building blocks for the City's future economy are already in place. These were identified previously as: the port and port-related activities, the tourist/hospitality industry, state and local government, and medical research and health services and education. These are all well-established core (export) sectors with a long history. These core sectors have been shown to have inherent strengths and weaknesses and are all underperforming their full economic potentials. Formulating economic strategies to better achieve these core sector's growth potentials is not as challenging as might be thought.

What presents the greatest challenge is re-establishing the City's residential population base needed to provide the employees to work in these core sectors and to strengthen the year-round market for retail and consumer services on the island. While the City's economy is underperforming across all sectors, its inability to retain the earnings of the residents who are working within the City's economy or even off the Island elsewhere within the regional economy represents the major short-term challenge.

The City's economy is losing its residentially supported retail and consumer services base because of the loss of residents and growth of lower wage jobs. This erosion of purchasing power and subsequent decline in the retail and consumer services sector have undermined the local economy's ability to serve its residents thereby forcing residents to shop outside the City economy further diminishing the sales potential of the local retail market. This erosion of retail and consumer services has likely had collateral impacts on the tourist/hospitality industry, as with fewer retail outlets available to serve local residents there are also fewer retail outlets available to capture the spending of the many seasonal visitors to the island.

Re-establishing the City's capacity to serve its residential base population and to increase its capture of potential tourist spending will be a critical achievement in rebuilding the City's economy. In the absence of a strong residentially supported retail and consumer services base, the City's economy will continue to lose the earnings gained from its core sectors (even if these are underperforming at present) and the local economy will continue to erode further undermining the ability of the City to support and re-build its resident population. Having a viable local-serving retail and consumer services base is critical to the livability of the City. The more livable the City, the more households that will want to live in the City and the more residents moving to the City, the stronger its retail market potential will become and the larger its resident workforce will become to serve the City's core sectors.

While strengthening the core sectors in which the City has a historic and continuing competitive advantage must be the principal objective of the City's long-term economic development strategies, rebuilding the residentially supported retail and consumer services base on the Island is the key to re-establishing the local economy's vitality. The loss of year-round housing units and the resultant decline in population, being compounded by a relative decrease in household purchasing power (a pattern with roots extending before Hurricane Ike but definitely accelerated by the Hurricane's devastation), identifies the framework for an economic development strategy that will have immediate positive impact on the City's economy.

Galveston County is facing a pattern of future growth that could result in its development being based on a continuation of past trends or the development of a more dynamic economy reflecting a structural shift favoring new and faster growing businesses, the types of businesses that will distinguish the Houston area economy in the future.

Revitalization strategies for the City must target re-establishing the City as a good place in which to live and do business while also providing the basis for strengthening the City's longer-term competitiveness in the Houston metropolitan area. These strategies should be directed toward achieving two objectives simultaneously: (1) increasing the City's population and (2) increasing disposable household incomes thereby expanding the local market capacity at a faster rate than the City's population.

The strategies for re-building and strengthening the City's economy cannot be developed in isolation. These strategies need to recognize the City's changing market position within the broader Houston metropolitan economy and the economic opportunities available in Galveston County and Houston metropolitan area that can be linked to the local economy. The Houston metropolitan area economy is projected to grow significantly over the next several decades. This projected economic growth at the regional level offers the City and County opportunities to attract new business investment that individually they would not have been able to attract. Therefore, these strategies must include linking Galveston's future economic growth and development to the economic forces shaping the broader metropolitan economy and to better position the City within both the metropolitan area and Galveston County's more rapidly growing economies in order to enhance the City's inherent growth potentials.

Recognizing and building from these regional economic interdependencies to strengthen the employment and residential linkage between the County and the City, and strengthening the City's core sectors in combination with its resident base will be essential to securing and maintaining its long-term vitality. Strategies for guiding public and private investment to achieve these objectives will be presented in the following pages.

SHORT-TERM ECONOMIC DEVELOPMENT AND REVITALIZATION STRATEGIES

Galveston County's economy is projected to benefit from the continuing rapid growth of the entire Houston region over the coming twenty years. However, the patterns of this future growth in the Houston region are uneven with more and better jobs being concentrated to a greater extent in some counties while others, including Galveston County, are projected to continue to attract a less favorable mix of future employment. The pattern of economic growth that will emerge is based on the existing competitiveness among the region's counties. However, Galveston County's relative competitiveness can be altered to increase its attraction of business investment favoring higher value added and high wage businesses. In order to accomplish this re-positioning of the County in the metropolitan area economy will require developmental investments to prepare the County for a different mix of future growth. This re-positioning will not happen without public leadership and public investment to enhance the County's assets and to mitigate its liabilities.

In order to achieve the full economic growth potential of the County's and the City's economies will require a sequence of investments, some of which will establish the basis for others. Some of these investments are already in place. These future investments will reflect a mix of outlays by the public and private sectors with the former generally taking the lead in the provision of essential infrastructure, public services and facilities that will establish the basis for private sector investments that capitalize on the pre-conditions established by the public outlays. There is nothing unusual about this process or sequence: public sector investments typically induce private sector investments by reducing their risk.

The primary purpose driving this investment in the County should be to increase its competitive position in the regional economy for future growth built on new technologies and business models. For the City, the principle objective driving this investment should be to strengthen the qualities prerequisite to residential growth in order to make the City increasingly attractive as a place to live and in which to do business.

GALVESTON COUNTY

Galveston County has been shown to be growing and is projected to experience continuing growth as part of the Houston metropolitan area. The County's convenient location relative to the growing employment base in Harris County, its multi-modal transportation system with I-45 connecting to the City of Houston and Hobby Airport and freight rail service, proximity to NASA's Manned Flight Space Center, and existing industrial centers on the Houston Ship Canal, proximity to the recreational assets in the City of Galveston and the medical research and educational facilities associated with the University of Texas Medical Branch should position the County for greater rates of growth and higher value added growth than what is currently has been capturing. This should be the County's primary economic development objective of the future.

Galveston County's projections for job growth over the next two decades is presented in forecasts developed before Hurricane Ike by the Houston-Galveston Area Council. These forecasts had job growth in the County increasing from 117,061 in 2010 to 157,096 in 2030, a gain of 40,000 jobs (34.2%). The job growth projected for the County is the same growth rate projected for the entire metropolitan area although the mix of this new job growth is not as favorable as for several other area jurisdictions.

With strategic marketing and economic development initiatives by the Galveston County, it is conceivable that the County could increase its competitive position within the metropolitan area and realize even greater job gains over this twenty-year period. The metropolitan area is projected to add almost a 1 million net new jobs during this period while job growth forecast for the County of 40,000 net new jobs accounts for just 4.2 percent of the projected increase, a share equivalent to its current share of the region's job base. Given the County's assets and its availability of undeveloped land for industrial, business and research parks, it is possible that job growth in the County could exceed projections.

Key opportunities for accelerating the County's growth could build from linking health-related research being hosted by the University of Texas Medical Branch and its National Laboratory in the City with NASA space medicine programs at the Manned Flight Space Center and the University of Houston Medical Center. By centering these research activities and their potential for commercialization at research centers developed in the County where privately funded enterprises can co-locate with not-for-profit research-oriented institutions a distinctive place can be created at which these new economic activities can be nurtured. The County currently lacks fully serviced research parks that could attract and accommodate the new technology-intensive businesses that will be the leading edge of Houston's projected economic growth in the coming decade.

COUNTY JOB GROWTH CAN BUILD RESIDENTIAL DEMAND FOR HOUSING IN THE CITY

The job growth projected for Galveston County will drive residential growth in the County as workers seek housing that is conveniently located relative to their place of work. Galveston City could also offer residential development opportunities for these workers who will be attracted to the new jobs in Galveston County. In this sense, the City can act as a suburb to the jobs that develop in the County. If the City has implemented strategies designed to enhance the City's residential environment and capacity to support new housing development and has succeeded in projecting its new image as a place offering a high quality living environment, the City will be in a better position relative to the County to attract these new workers in the County as they consider alternative locations for their places of residences.

An alternative to growing the job base needed to support the growth of year-round residents in the City is to link job growth in Galveston County to residential growth in the City of Galveston. Income growth strategies provide an alternative but complementary approach to increasing the City's residentially supported retail and consumer services market potential. Rather than targeting population growth (more people equals more disposable income), income growth strategies have the objective of increasing the number of new households in the City with higher incomes. The City's residential development strategy will generally result in the addition of households characterized by higher incomes because new homebuyers tend of have higher incomes than buyers of existing housing units or renters.

Additionally, the number of new homebuyers and their levels of income can be affected by the types of local jobs being grown within the economy. While there are jobs in the City's economy that generate above-average incomes that are held by in-commuters (workers living on the mainland) who might be candidates for new housing units when these are available in the City, the prospects for growing more above-average income employment within the City economy will be limited early in its revitalization and will always be constrained by the City's mix of core sectors—tourism and hospitality, health and education, government and port and port-related businesses—and the flood potential on the Island that will discourage capital investment in major industrial structures.

A more aggressive strategy would be to promote business investment in the County aimed at the types of businesses whose employees might find living in the City attractive. Such a strategy might target businesses whose workforce would include young professionals and persons working in what might be described as technology-intensive and knowledge-based occupations. Scientific, technical and creative occupations might also offer a good match with the profile of new City residents.

It is important in developing this strategy to establish this linkage between jobs in the County and population growth on the Island as it reverses the growing trend of off-island residents working in jobs on the Island. It will be important to match the life-style profile of persons who will be attracted to the City of Galveston as a place to live year-round with the types of jobs that will develop in Galveston County and elsewhere in the metropolitan area. To accomplish this will require selective promotion of the City's residential options to employers locating or expanding in the County.

This strategy also recognizes and builds on Galveston County's future economic development. However, the County needs to shift its current job growth patterns away from the recent rapid growth of residentially supported retail and consumer services to new and emerging export sectors will assure that more of the County's future job growth will be in higher-valued added jobs with above-average salaries. These export-based jobs are growing rapidly in Harris County and in other counties north and west of Houston but have lagged in Galveston County where job growth continues to be dominated by manufacturing, petrochemicals, transportation and retail and consumer services.

Achieving job growth rates greater than projected in the County and shifting the mix of these new jobs to favor higher value-added and higher-wage employment will not occur without targeted economic development investments on the part of the County. Aggressive efforts will be required to increase the County's attraction of the types of businesses that will enjoy the fastest growth rates in the Houston area going forward—professional and business services, health and education, and related-technology and research-oriented businesses.

Growing this type of employment base in Galveston County could benefit the City's residents by bringing these "better" jobs closer to the City thereby reducing commuting distances and time, and resulting in these higher wages being brought back on to the Island to be spent locally in support is the City's retail and consumer services establishments.

THE CITY OF GALVESTON

The analyses of the City's economic trends and conditions establish the framework for formulating appropriate revitalization strategies. The City's economy has been undermined by the decline of its residentially supported retail and consumer services sectors due in large part to the decline of year-round residents living in the City and the resulting weakening of the local retail and consumer services markets—fewer and smaller households, declining resident work force, and diminished purchasing power. Therefore, the focus of the City's revitalization efforts in the short-term should be on re-establishing the City as a good place in which to live and to do business. A parallel focus of these strategies is to increase the household incomes in the City thereby expanding the market potential of the resident population by both increasing its numbers and its personal earnings.

This short-term approach does not obviate the need to formulate and implement long-term strategies with the objectives of strengthening and enlarging the local economy's core sectors. However, these core sectors will attract investment and grow as a result of their profit potential and their underlying competitive position within the regional and national economies and, as a result, will require less direct external intervention to achieve their inherent potentials. Still, each of these core sectors—tourism and hospitality, health and education, government, and port and port-related businesses—can benefit from the implementation of short-term strategies having as their primary objectives to increase the City's competitive position within the metropolitan area as a place to live and in which to do business.

The interdependencies among housing, population, labor force, personal income, and retail and consumer service market potential are fundamental and can provide the solution to the City's declining economy. As the key to revitalizing and re-invigorating the City's economy—to start the lengthy process of economic recovery—is the attraction of residential investment, the strategies and programs required to accomplish this objective must focus on re-establishing a favorable residential investment climate on the Island. Residential investment normally follows or responds to the growth of jobs; that is the suburban model. In Galveston, with the job base shrinking, a different set of conditions must be established in order to make the City attractive to residential investment.

The strategies for securing more housing and residents must target the impediments to residential growth, reflect the City's inherent strengths, and build on its unique opportunities. These strategies must create a "sense of place" that provides potential residents the identity that they cannot find in competing jurisdictions building on the history and uniquenesses that have defined the City in the past.

These strategies should also target the population submarkets that would be predisposed to living fulltime on the Island. These populations would include: employees and students of the University of Texas Medical Branch and self-employed and other workers whose jobs can accommodate telecommuting or flexible working patterns, young professionals (singles and couples without children), empty nesters still in the workforce within the Houston metropolitan area transitioning to retirement, retired persons, and “pioneers” seeking an alternative living environment from typical urban and suburban lifestyles.

These and other similar residential markets could find living in Galveston attractive, at least theoretically, given their life-style preferences, if the housing choices and qualities of life in the City also satisfied their requirements. These potential residential investors will pay a premium to achieve their housing and community quality objectives. The City of Galveston has the location (one hour or less to an international airport, a large and dynamic city center, professional sports and cultural venues, major medical centers and universities, and growing economy with expanding employment base) and the setting (historic resources, water views and beaches, favorable climate). What the City is lacking is the competitive infrastructure, community facilities and services, and the neighborhood environment and qualities that will support residential investment and attract new residents.

These necessary pre-conditions are generally in the public domain and communities that possess high quality living environments (natural and man-made) can measure their success by the above-average rates of household growth and housing price escalation they are experiencing. Communities not having a competitive quality of life can measure the consequences by below-average rates of population growth or possible even decline, growing housing vacancy, lagging housing prices, and a decline in average household income with accompanying increases in crime and disinvestment in businesses and structures. These divergent patterns underscore the importance of strengthening the City’s quality of life and residential communities as the most effective vehicle (and perhaps the only effective vehicle) for reversing the City’s economic decline.

The principles underlying these residential growth strategies can be summarized as follows:

INFRASTRUCTURE

Infrastructure includes the fundamental utilities and transport systems required to support a city’s economic activities. These are critical pre-conditions for economic development. To be locationally competitive for business and residential investment, not only must all of the basic utilities (water supply and sewage treatment, communications including cable and broad band, electrical services, gas,) and transportation systems (local and regional highway, rail) be available, they must be of high quality and have the capacity to accommodate new demand. The absence of any of these services will undermine the competitive position of the City comparatively within the metropolitan area economy. The inability to serve new demand or provide equal quality of infrastructural services will be a serious disadvantage.

COMMUNITY FACILITIES AND SERVICES

The capacity of the City to stimulate and accommodate residential growth depends on it ability to provide its residents with competitive qualities of public facilities and services (education at all levels, parks and recreation, public safety, health and social services, trash and liter collection, recycling, public works and environmental management). The availability and quality of a broad range of such services and facilities affect the health and safety of City residents and the quality of the City's living environment.

The quality and availability of the City's community facilities and services shape its reputation as a good place to live and also as a good place in which to do business. While these services and facilities may not always relate directly to economic development and growth, they determine the locational attractiveness of the City among its competitors as determined by the quality of the living environment. The absence of any of these basic public services and facilities can have a significant and long-term impact as these deficiencies will undermine efforts to encourage reinvestment and will ultimately precipitate accelerating disinvestment and decline.

COMMUNITY ENVIRONMENT

The overall attractiveness of the City's living environment—physical, visual, social, and built—as a place to live and in which to do business becomes a critical development factor as these conditions determine the City's ability to compete for capital and human resources that flow to locations having high potentials for return on investment (monetary or personal). The absence of a competitive living environment is often accompanied and reinforced by deficiencies in public services, facilities and infrastructure.

The aggregate expression of these many interrelated conditions is reflected in the City's image, its physical conditions, its cultural values, and its environmental conditions. These conditions will either reinforce the City's economic development potentials by creating and enhancing a positive environment for residential and business investment or they will act to undermine the development process by discouraging investment, risk taking (pioneering) and creativity—the essential ingredients for successful community revitalization.

ESTABLISHING PRIORITIES AND IMPLEMENTATION

Any investment in the City's infrastructure, community facilities and services and conditions supporting the quality of the local living environments (streetscape improvements, landscaping, street lighting and signage, sidewalk repair and installation, image building) will ultimately contribute to enhancing the City's competitive position in the broader region as a good place to live and in which to do business. As the capacity to correct shortcomings and add enhancements is limited by the availability of public and private funding, priorities need to be established so that those public investments that will eliminate the biggest barriers to residential growth and/or have the greatest return on investment are undertaken first and that other enhancements occur later or whenever the opportunity to fund them might occur.

High priority enhancements would include: repair and replace of infrastructure systems essential to support the health, safety and welfare of the residents and businesses. Much of this investment has already been made following the devastation of Hurricane Ike. While these were critical public investments they were not sufficient to sustain the City's economic revitalization.

The next priority of public investments necessary to advance the City's competitive position within the metropolitan area as a good place to live and in which to do business should focus on image building and preparing the City for growth. Image building consists of repairing and rebuilding the aesthetic qualities of the City, reframing its image—it visual appearance, and re-establishing its presence in the minds of area residents and investors as a dynamic place for both living the good life and for business (more about these businesses in a subsequent section). These actions must re-establish Galveston's reputation as a complete community and vital economy reversing its post-hurricane image as a place to visit for its beaches and for vacations—Houston's playground.

Galveston's image as a place to live and work has been diminished by the damage and decline following Hurricane Ike. This image needs to be reshaped by physical improvements that are visible and that add value to the City's ability to accommodate new residents and businesses that will be supported by current and future residents as well as serve business visitors and tourists. Examples of these second priority enhancements include: streetscape treatments—making the City green again and providing vertical scale (trees), sidewalks and possibly ornamental streetlights, demolition of abandoned structures, making the City center pedestrian friendly, and opening up publicly-owned vacant land parcels for housing development.

Publicity and events management will be important to reshaping the City's image as a good place to live. The City's image as a place where the action is—a place for the arts, a place where cultural events are staged, a place for festivals, a place of out-of-doors year-round athletic events for young people as well as older persons. These types of events should build on the City's tourism image and favorable climate and extend these to include events that appeal to the prospective residential audiences who, as they rediscover the offerings of the City, may consider relocation to and building in the City.

The City needs to reach out to residential developers and builders to communicate its willingness to work with residential investors to facilitate new residential projects. It also needs to be mindful that the types and styles of housing that will sell and rent in the City need to be carefully conceived and planned to fit the submarkets that can be attracted to the City. Pricing will be important, too. Housing products designed for young professionals without children and older couples transitioning to retirement will be different in quality and style than housing targeting families and students. Assuring affordable housing is important but also targeting the upscale residential market is essential to achieving a higher household income profile for the City.

To accelerate the new residential building process, the City or other institutions having an interest in the City's future should identify potential sites and developers to initiate the best possible (most likely to succeed) residential project designed for the year-round market. This might be designed to satisfy the housing requirements of the UTMB or a specific niche market (e.g., a condominium building targeting empty nesters). Alternatively, a land swap might be considered between the City and a private investor or a land cost write-down to lower the delivery costs of new housing. It is essential that the housing stock in the City be expanded to accommodate household growth and to attract new households that expand the population and income profile of the City. It is also essential that the first new housing project in the City be successful, as a successful project will encourage other investors to pursue additional residential development on the Island.

LONGER-TERM ECONOMIC REVITALIZATION STRATEGIES

The first priority in strengthening the City's economy and positioning it for future growth is to re-build its retail and consumer services markets by increasing the number of year-round residents living on the Island and making the City increasingly competitive as an attractive place to live within the metropolitan region. Complementing this strategy of building the local market base by increasing the City's population are strategies designed to increase the household incomes of the City's residents by encouraging to development of upscale housing in the City to attract prospective residents having above-average income. As the housing market depends on the employment market and the City's employment base has weakened over the last decade, positioning the City as a residential choice for future workers taking new jobs in Galveston County, whose job base is projected to grow 34 percent in the next two decades, provides a realistic alternative that will enable existing and future City residents to out-commute to better-paying jobs than might be available on the Island and to bring this income back to spending within the City's economy.

The long-term goal of the City must also be to strengthen its primary core sectors. In the case of the tourism and hospitality sector this strengthening will occur in two ways. The City already attracts more than 5 million annual visitors and by expanding the retail and consumer services base in support of a growing residential base will enable the City to serve the needs of tourists and other visitors whose market potential is not currently being fully utilized. As the City's year-round residentially supported economy stabilizes and begins to expand and the City's new image as a good place to live and in which to be business takes hold, the hospitality industry will expand to better serve the City's growing market reach. This will be seen in increased off-season conference activity, a shift in the mix of visitors to include a growing share with higher disposable incomes, and capital improvements to upgrade accommodations and other recreational attractions. This industry will respond to market opportunities and these should grow with the revitalization of the City's non-tourism oriented businesses.

One dimension of the hospitality sector in the City that is clearly underperforming is the shore-side commercial activities serving the cruise ship terminal. The isolation of passengers from the City's retail and consumer services located in the historic downtown area by fencing, highway barriers and unattractive physical surroundings represents a major unrealized opportunity to serve this transient population to their enjoyment and the benefit of local businesses in the City. To capture the market potential of the cruise ship passengers embarking and debarking in Galveston can be achieved simultaneously with streetscape and the environmental improvements that will be required to make the downtown of the City more pedestrian friendly and to establish the competitive living environment required in the City to support new residential investment.

The health and education sector is a major source of the City's future economic vitality and growth potential. The University of Texas Medical Branch (UTMB) is the City's largest employer, its single largest source of direct spending, it attracts a large number of daily visitors and it supports an internationally recognized medical research program. UTMB's physical presence at the north end of the central business district is substantial and yet its interdependence with the remainder of the City's economy is relatively undeveloped. While UTMB is expanding its clinical services in the County to bring its medical services closer to the population is serves, its acute care services, educational and research activities continue to offer the City opportunities for increased economic benefit. Expanding the City's housing stock to provide higher quality housing across a wide price spectrum to better serve the workforce and students enrolled at UTMB is one approach to capturing more of the potential economic impacts of UTMB's presence in the City. Improving the living environment and qualities as outlined above will be necessary to make living in the City more attractive to the research and administrative staff, doctors and nurses and students associated with UTMB.

Another opportunity for strengthening the medical and education sector involves the future development of the medical research activities sponsored at UTMB. These growth opportunities may evolve from teaming and other operating associations between UTMB and the University of Houston Medical School and between UTMB and the space medicine activities at NASA's Manned Flight Space Center. These can also build from the National Laboratory co-located with UTMB. While these future growth potentials for medical research and services may occur largely off the Island offering employment opportunities to future residents of the City, UTMB's presence adjacent to the City's downtown and historic districts also constitutes a positive development force that has important unrealized potentials that if realized could reinforce the City's economic revitalization.

The government activities centered within the City's downtown area represent a stabilizing force through its employment base and its services that attract visitors to the City from elsewhere in the County and region. While the government center may not experience significant growth in the near-term it can be expected to grow over a longer time period in response to the County's projected growth of 100,000 new residents over the coming two decades. The opportunity for achieving a more integrated land use concept with the existing City and County government buildings and activities should be explored as these are expanded or replaced in the future. The possibility of adding other government sponsored activities—museums, cultural facilities, social services—would enable these to be distributed more broadly within the City to achieve greater interdependencies among complementary public and commercial activities than are presently achieved by clustering these activities in contiguous blocks.

The fourth leg of the City's economy—the port and port-related businesses—represents both a major source of employment and income for the City's economy and a major source of environmental pollution, noise, and blighting influences. The inherent conflicts between the industrial nature of port activities and the City's other core sectors and residential base represent a major challenge. This challenge is complicated by the large acreage of underutilized and deteriorated industrial and storage facilities that are a blighting influence in the heart of the City. Mitigating these negative visual and physical impacts must be part of any long-term plan for the revitalization of Galveston.

The Port will always be a major contributor and asset within the City's economy although its importance may diminish over time due to operating constraints and competitive disadvantages. Still, redesigning and upgrading the Port's activities to achieve its full potentials while reducing or containing its negative impacts on the residential base and tourism and hospitality activities will be essential to successfully re-positioning the City's as a good place in which to live and work. Formulating feasible solutions to the incompatibilities existing between the industrial activities in Galveston and the "new" Galveston will require a major planning effort beyond the scope of this analysis and should receive early attention as these incompatibilities represent a major challenge to enhancing the livability on the Island that will be key to the City's achieving a sustainable and growing economy.

THE STRATEGIC GROWTH MODEL FOR THE CITY OF GALVESTON

The economic growth model outlined herein consists of two interdependent parts: (1) the export base composed of core sectors that generate their earnings and jobs by providing goods and services to non-residents of the City and (2) the residentially supported retail and consumer services base that derives its revenues and supports its job base from sales to local residents and businesses including those in the City's core sectors. It is this host economy that ultimately determines the health and scale of growth the City can achieve as it is what captures and recycles the income and earnings of the businesses located in the City and from the City's resident workers. The City is endowed with four primary core sectors that serve different markets and geographies thereby providing the City a source of income (business activity) that is less cyclically sensitive than less diversified economies. These core sectors—tourist and hospitality, health and education, government and port and port-related businesses—each has its own challenges and all are under-performing their respective potentials in the regional and national markets; none is contributing its full potential benefit to the local economy.

However, it is not the underperformance of any of the City's core sectors that is critical to its current economic decline. Rather, it is the decline of its residentially based economy that is responsible for the City's declining ability to retain the benefits of its core sectors. And, with this declining residentially based economy, the City is becoming less able to attract and maintain its year-round population base.

Re-establishing the City as a good place in which to live and to do business can reverse this vicious cycle. Upgrading the City's infrastructure, community facilities and services, the qualities of life that impact residents—visual, aesthetic, environmental—are key to re-establishing its competitive position as a residential community. Once this supporting framework is in place, the expansion of the City's housing stock will enable the population base to grow and, as the City's population grows, its market potential for retail and consumer services will grow. And, as the City's retail and consumer services base expands, the City's economy will increase its retention of the income and spending generated by its core sectors.

The initial market for new housing in the City will consist of submarkets that may be (1) under-served in the City such as employees and students at the University of Texas Medical Branch and other business and public sector workers residing on the mainland and commuting in and out of the City daily taking their earnings with them to spending in their home jurisdictions, (2) pioneers—workers who may be self-employed or can telecommute, and young professionals, and (3) empty nesters and retirees.

An important source of potential future housing demand will include new job holders working in Galveston County—the county's job base is projected to add 40,000 net new jobs in the next 20 years—who may be attracted to the City to live because of its sense of place and qualities of life that have been achieved to support the growth of the City's year-round residential base. Connecting the City's residential base to job growth off the Island can be an effective strategy for revitalizing the local economy as the income earned at off-island jobs will be returned to the City where these worker live and will be spent locally further strengthening the local retail and consumer services base.

The model is simple: re-establish the City's retail and consumer services base by growing the City's population, importing payroll earned off the Island and housing more workers employed on the Island who currently commute to the mainland and spend the income they earn in the City elsewhere. Once the City's residentially supported economic base is stabilized and growing, the cycle of decline will have been broken. At this point, achieving renewed growth of the City's core sectors will control the City's long-term rate of economic growth. In order for the City to sustain its economy into the future will require its residentially supported retail and consumer services base and its core industries to operate interdependently increasing the flow of income into the City and increasing the retention and re-spending of these funds within the local economy to the benefit of local businesses and residents.

SUMMARY OF FINDINGS

Galveston County's economic growth has been largely driven by population growth and the expansion of retail and consumer services over the past decade. While this pattern of growth has helped to diversify the County's economic structure that had been long dominated by petrochemical, industrial and port-related activities this combination of growth has put the County at a competitive disadvantage in the Houston Region as it prepares for strong growth over the next twenty years. As a consequence, forecasts for the County show it to be growing more slowly than the Region's other suburban counties; that is, its new jobs will not have as favorable a mix of higher value-added jobs as are being projected for other jurisdictions in the Houston Region.

Research has shown that the City's economy is in decline, that this trend is not new but extends back into the Nineties, and was accelerated by the destruction and dislocation caused by Hurricane Ike in September 2008. This decline is seen in decreasing numbers of year-round residents and a loss of full-time year-round jobs across most sectors, especially those relating to retail and consumer services. Additionally, however, each of the City's core sectors—tourism and hospitality, government, port and port-related businesses, and health and education—is under-performing its growth potential.

To position the County to be more competitive in attracting more, higher-quality jobs and technology-intensive businesses, it must prepare itself for growth. The County needs to become proactive in developing its infrastructure and community facilities and services. It needs to be able to offer fully serviced sites for business development and implement a public-private partnership to build and operate a research park targeting the County's health and education assets and link these with others in the Region including NASA and the University of Houston Medical Center.

For the City, rebuilding the retail and consumer services sectors offers the most direct approach to reversing its long-term decline and to achieving sustained economic expansion. This will enable the local economy to increase its business base by better serving the existing residents and tourists as well as to retain a greater share of the economic benefits generated by the City's other core sectors.

Key to strengthening the City's retail and consumer services sectors is growing its year-round population base and resident income potentials. In order to attract new households to buy and live in the City it needs to be competitive with other residential communities within the Houston Region; the City's qualities of life need to be improved and its image needs to be enhanced. The sources for these new households will include retirees and soon-to-retire persons, jobholders on the Inland who currently live on the mainland, and new households moving to the Houston Region to take new jobs, especially workers in Galveston County who might choose to live in the City due to its sense of place and qualities of life.

The economic outlook for the Houston Region is excellent. Over the coming twenty years the Region is projected to add 2.3 million net new residents, almost 1 million net new households and 960,000 net new jobs. Retirements and other job turnover will increase the demand for replacement workers by an amount almost as great as is being forecast for the Region's net new growth. This combination of new and replacement jobs will require nearly 1.8 million new workers over the next twenty years generating demands for housing beyond that currently being forecast and support significant investment and expansion of residentially supported businesses.

The City and County can capture a growing share of the Region's future growth if they are prepared. They need to become proactive in building the County's and City's images as a good place to live and to do business. The County needs to target job growth that attracts an increasing share of the Region's higher value-added and higher-salaried jobs focusing on health and education where it already has a competitive advantage and expanding economic activities building from research and development of new drugs and medical equipment to manufacturing and sales including the related professional services that support this sector.

The timing for repositioning both the City and County for renewed and more selective growth is critical. The national economy is slowly recovering from its deepest and longest recession since World War II. The Houston Region is one of the early movers in the recovery and is projected to re-accelerate more quickly than all but a small number of other metropolitan areas in 2011 and 2012. As the regional economy gains traction over the coming eighteen months, it will be important to be ahead of the competition in the recovery and to be better prepared than the competition when it comes to attracting new business investment and households moving to the Houston region to fill its new jobs.

The Galveston County and Galveston City governments need to provide the leadership and make the critical public improvements required to reduce the risk before the private sector will make its investments in new or renovated structures, furnishings and equipment, investments that will commonly reflect a return on public investment of $5 or more in private capital to $1 in public funds. This is the tradition for local governments as seen in jurisdictions around the nation that have been successful in building rapidly growing local economies.

Taking the necessary steps to re-position the County and City for growth will send an unambiguous message to investors that Galveston—the City and County—are both committed to long-term economic revitalization and especially to the redevelopment of the downtown area as it is the largest and most important employment center in both the City and the County. Failure to gain the competitive edge at the beginning of the growth cycle could so disadvantage the local economies in their competition with other growing and already well-positioned jurisdictions in the Houston Region that it would be unlikely that Galveston County or the City could regain their lost economic momentum and continue to lose economic share at the Houston Region rapidly moves forward over the next twenty years.

Feasibility Study for Retail, Entertainment, & Mixed-Use Development for the Galveston Historic Downtown

City of Galveson Island, Texas

John M. Millar
Executive Vice President, Divaris Real Estate

EXECUTIVE SUMMARY

The original purpose of this feasibility study was confined to the retail sector of the Galveston Island marketplace. As we got further into our research, it became obvious that, in addition to significant retail opportunities in the market, there were also opportunities in the entertainment sector and the mixed-use sector. Our analysis was to find the current voids (opportunities) in these three sectors and provide suggestions for filling those voids. Our emphasis was to find opportunities that created jobs; provided synergy among sectors; and complemented, rather than competed with existing retail and entertainment on Galveston Island. We also focused on an observation that was made in the 2008 ULI report: “To lengthen visitor stays, the area must continue to improve its retail mix, its breadth of attractions, and its connectivity to the rest of Galveston’s many tourist draws, such as Moody Gardens and the beaches.”

Our review of the Galveston Area’s demographics, revealed an area with mediocre population and income numbers that do not provide the building blocks for a vibrant community. Our review of the Retail Market Power (RMP) Gap identifies a pent up demand of 600,000 SF that is currently unmet by retail supply. These retail gaps are primarily in the shopping center goods categories – Family Clothing, Women’s Clothing, Shoes, Children’s & Infant Clothing, Accessories and Men’s Clothing. In addition, there are major gaps in the Pharmacy/Drug Store, a Specialty Grocery Store and Book Store merchandise categories. In our review of the top employers in Galveston, it became apparent that the two main building blocks for the future are the tourism industry and the health care industry.

The Tourism Industry takes many forms in Galveston. In 2007, it is estimated that there were 5.4-7.0 million tourists with a direct economic impact of $561 million. The tourists came to Galveston for many different reasons – the beaches, cruise ship embarkations, second homes & beach rentals, entertainment venues such as Moody Gardens & Schlitterbahn Water Park, the Historic District, cultural tourism, eco-tourism and conventions. These tourists need to be catered to in terms of entertainment, shopping, restaurants and other leisure activities.

The Health Care Industry, the University of Texas Medical Branch in particular, offers another building block for the future. Currently, only 25% of UTMB’s employees reside on Galveston Island. Creating an adjacent community to UTMB that meets the needs of its employees, faculty students and patients and keeps them on Galveston Island is a priority. It is also a priority to create an anchor for the west end of The Strand.

To capitalize on the tourist market, it is important to understand their favorite activities while on vacation. These top five tourist activities are: dining out, sightseeing, shopping, entertainment and nightlife activities. Each of these activities on Galveston Island can be enhanced significantly, even with a fairly stable infrastructure currently in place.

As a tourist destination, the most obvious shopping void in Galveston is the lack of a Factory Outlet Shopping Center that exists in almost all of the tourist venues in the United States. Through the comparison of other tourist venues in regard to the amount of factory outlet space supported by their number of tourists, we were able to determine that Galveston's tourists could support up to 532,000 SF of factory outlet space. This does not even include non-tourist shopping from the southern part of the Greater Houston Area where there are no factory outlet centers. With a factory outlet center in Galveston, it will draw non-tourists who reside in the Houston Area to make day trips to the only factory outlet centers on the southside. Since the closest factory outlet centers – Katy Mills, Houston Premium Outlets and Conroe Outlet Center are 80 to 90 miles away, a factory outlet center in Galveston would have no competition.

We have created a factory outlet retailer matrix that shows the national retailers who operate in factory outlet center throughout the United States. With this matrix, we created a merchandise mix by merchandise category and specific retailers within those categories. We recommend that the factory outlet center be built in two phases. Phase One is planned for 210,600 SF, while Phase Two is planned at 157,000 SF. Although the factory outlet center would have its own restaurants, such as Outback Steak, Cracker Barrel and Johnny Rockets, and its own food court, there are additional restaurants that need to be added to Galveston to capitalize on 7 million tourists who love to dine while on vacation. Many of these recommended restaurant additions would expand from KEMAH Boardwalk – Babin's Seafood House, Red Sushi, Ichiban Japanese Steak House – and from Houston – Madri Gras Grill, Denis' Seafood House, Szechwan Garden, etc.

Based on factory outlet centers currently being built in other parts of the U.S., the development of a 360,000 SF factory outlet center in Galveston would create 300 construction jobs and 800 permanent full and part-time jobs.

With the success of Moody Gardens (2 million annual visitors) and Schlitterbahn Water Park (530,000 annual visitors), it became apparent to us that Galveston was missing the opportunity to add a third entertainment venue, a theme amusement park. Again using statistics from analogue sites that combined both a theme park and a water park, we were able to estimate that a theme amusement park in Galveston would potentially attract over 2.2 visitors annually. The theme park would be synergistic with Moody Gardens and Schlitterbahn Water Park, bringing more tourists in for all three attractions and extending the stays of tourist families up to three additional days.

Since the shut down of Six Flags Astro World in Houston in 2005, the entire Houston area has had only one option – KEMAH Boardwalk. Although KEMAH is only 26 miles from Galveston we feel that both KEMAH and a Galveston theme park could co-exist. With Galveston directly accessible from Houston on I-45, it has a built in advantage on accessibility to the Houston market over KEMAH. In addition to accessibility, Galveston currently has 7 million annual tourists, seeking entertainment activities on their vacation. Smaller entertainment sites for putt putt golf, bumper cars and other amusements situated adjacent to The Strand going west would add some much needed activity and connectivity going towards UTMB. Reinforcing these sectors with live music, retail, kiosks, etc would add additional life to a currently low key area..

Through the study of employment at other theme park venues, we determined that the projected 2.2 million visitors to the theme park would create over 2,000 seasonal jobs.

We have previously discussed the economic impact of The University of Texas Medical Branch on the economy of Galveston. Studying the statistics of UTMB, we recognized that UTMB would support a mixed-use village center on approximately 20-acres. In order to allow its employees, students, faculty and patients greater accessibility to UTMB, we see the need to create quality residences, retail and hospitality adjacent to the medical complex. The creation of such a mixed-use village would have the benefit of keeping higher income individuals and families on Galveston Island in quality housing. The retail would meet the needs for upscale shopping, while a hotel would provide patients' families with quality accommodations.

With 2,460 students, 833 faculty, 499 residents and 1,142 employees, earning over $100,000, we feel that there is at least a market for 200 upscale residential units, both condos to own and apartments to rent. We feel that a mixed-use village would be the ideal place to fill the gourmet grocer void with a 36,000 SF store; a 12,000 SF pharmacy to service the Medical Complex; and a 20,000 SF book store, affiliated with UTMB, to service students, employees and patients and their families. A limited-service suites hotel as part of the village adjacent to the Medical Complex would give the patients and their families a quality hotel in which to stay.

In summary, we have identified three major opportunities for Galveston to expand its attraction to tourists, to add much needed construction and permanent jobs and to create synergy with other existing facilities, making them more successful. The development of the three strategies – a factory outlet center, a theme amusement park and a mixed-use village adjacent to UTMB will create tremendous momentum beyond the restoration of existing structures after Hurricane Ike. The development of all three strategies would create approximately 1,000 construction jobs, 1,200 permanent full and part-time jobs and 2,000 seasonal jobs. Meeting these opportunities would cause other strategies, such as the redevelopment of the waterfront at The Strand Seaport, to happen more quickly and on a much grander scale.

I. GALVESTON MARKETPLACE

Identifying the consumers in Galveston's marketplace is the first step in determining if the property is meeting the needs of the people in the community. In order to analyze the entire market, we will look at a number of determining factors, including demographic reports, demographic maps, and retail opportunity gaps.

First we look at the population demographics of several radii around the property, ranging from one to twenty miles, as well as the daytime population. This shows us the population, growth, race, education and income. Maps illustrate where population density is strongest, where growth is occurring and define pockets of wealth. Finally, a Retail Market Power (RMP) report measures consumer demand/ expenditures, allowing the calculation of any retail gaps or surpluses in the marketplace. Once those areas with significant gaps are identified, they are incorporated in the final leasing plan. One caveat that we offer in regard to the demographics is that there was a population loss of seven percent as a result of Hurricane Ike's devastation.

DEMOGRAPHIC ANALYSIS

EXHIBIT 1: ONE, THREE & FIVE-MILE RADIUS DEMOGRAPHIC SNAPSHOT REPORT*

ONE-MILE RADIUS

The one-mile radius for Galveston has a population of approximately 11,124 people and 4,183 households. Whites make up 54% of the one-mile population, African Americans comprise 29%, Hispanics are 23% and Asians are 2%. Growth is projected to decline at a rate of 7.5% for the next five years. The average household income is $47,116. Over 22% of the population has earned a Bachelor's degree or higher. The median owner-occupied housing value is $110,850.

THREE-MILE RADIUS

The three-mile radius for Galveston has a population of approximately 36,083 people and 14,547 households. Whites make up 52% of the three-mile population, African Americans comprise 26%, Hispanics are 34% and Asians are 4%. Growth is projected to decline at a rate of 10% over the next five years. The average household income is $46,245. Over 22% of the population has earned a Bachelor's degree or higher. The median owner-occupied housing value is $99,067.

FIVE-MILE RADIUS

The five-mile radius for Galveston has a population of approximately 47,649 people and 19,924 households. Whites make up 56% of the five-mile population, African Americans comprise 23%, Hispanics are 34% and Asians are 4.5%. Growth is projected to decline at a rate of 9% over the next five years. The average household income is $50,574. Over 25% of the population has earned a Bachelor's degree or higher. The median owner-occupied housing value is almost $109,000.

*Exhibit 1 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

EXHIBIT 2: FIVE, TEN & TWENTY-MILE RADIUS DEMOGRAPHIC SNAPSHOT REPORT*

TEN-MILE RADIUS

The ten-mile radius for Galveston has a population of approximately 71,299 people and 29,348 households. Whites make up 60% of the ten-mile population, African Americans comprise 21%, Hispanics are 30% and Asians are 3%. Growth is projected to decline at a rate of 4% over the next five years. The average household income is $55,741. Over 23% of the population has earned a Bachelor's degree or higher. The median owner-occupied housing value is $105,427.

TWENTY-MILE RADIUS

The twenty-mile radius for Galveston has a population of approximately 179,536 people and 70,853 households. Whites make up 64% of the twenty-mile population, African Americans comprise 20%, Hispanics are 26% and Asians are 2%. Growth is projected to decline at a rate of 3.6% over the next five years. The average household income is $59,011. Over 19% of the population has earned a Bachelor's degree or higher. The median owner-occupied housing value is $101,807.

*Exhibit 2 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

DEMOGRAPHIC MAPS

While demographic reports show the statistics of an area as a whole, demographic maps break down the specific density and growth and illustrate average income clusters. This information is valuable in determining where exactly shoppers live.

EXHIBIT 3: MAP-POPULATION CURRENT-YEAR*
EXHIBIT 4: MAP-POPULATION CURRENT-YEAR DOT DENSITY*

POPULATION DENSITY MAP (EXHIBIT 3&4)*

The Population Dot Density Map shows a heavy concentration of people in and around the five-mile radius of the property.

*Exhibits 3-4 are included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

EXHIBIT 5: MAP-POPULATION FIVE-YEAR PROJECTION*
EXHIBIT 6: MAP-POPULATION GROWTH 2000-CURRENT YEAR*
EXHIBIT 7: MAP-POPULATION GROWTH 2010-2015*
EXHIBIT 8: MAP-HOUSEHOLD CURRENT-YEAR*
EXHIBIT 9: MAP-HOUSEHOLD CURRENT-YEAR DOT DENSITY*
EXHIBIT 10: MAP-HOUSEHOLD FIVE-YEAR PROJECTION*

POPULATION GROWTH MAP

Population growth is negative for most of the ten-mile radius of Galveston. Growth does not occur until the ten mile radius is reached and is the most significant in the northwest quadrant around a fifteen-mile radius.

*Exhibits 5-10 are included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

EXHIBIT 11: MAP-MEDIAN HOUSEHOLD INCOME*

MEDIAN HOUSEHOLD INCOME MAP

According to the Median Household Income Map, incomes within a five-mile radius are some what mixed. There are block groups of extreme poverty and wealth in close proximity to each other. The most significant concentration of incomes over $75,000 occurs between the 6-15 mile radius, southwest of the site.

*Exhibit 11 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

TOP GALVESTON ISLAND EMPLOYERS

EXHIBIT 12: DAYTIME POPULATION – ONE, THREE, FIVE, TEN, & TWENTY-MILE RADIUS*

DAYTIME WORKER POPULATION

The daytime worker population is significant to retailers and restaurants, which rely on the office density for daytime customers who do not necessarily live in the area. Within a five-mile radius, there are a total of 40,479 daytime employees. The largest sectors of employment are health services (12,728 employed), followed by retail (6,408 employed), finance (4,018 employed), public administration (3,326 employed) and education services (2,255 employed).

*Exhibit 12 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

RMP OPPORTUNITY GAP

The Retail Market Power (RMP) Gap uses sales potential and retail sales forecasting data to depict supply and demand in a specific market. The difference between demand and supply represents the opportunity gap or surplus available for each retail category.

The following categories show an opportunity gap, where the demand surpasses the supply within a twenty-mile radius of Galveston. They are in order from largest opportunity gap to smallest.

CATEGORY	OPPORTUNITY GAP	RETAIL SF GAP
Pharmacies & Drug Stores	$55,900,000	111,800
Electronics & Appliance Stores	$41,100,000	82,200
Department Stores	$38,900,000	130,000
Family Clothing	$33,300,000	111,000
Furniture & Home Furnishings Stores	$29,300,000	29,300
Grocery Stores	$17,100,000	34,200
Women's Clothing	$11,200,000	37,300
Jewelry	$9,200,000	9,200
Office Supplies	$8,500,000	17,000
Shoe Stores	$7,800,000	26,000
Quick Service Restaurant	$7,300,000	14,600
Book Stores	$6,900,000	23,000
Hobby, Toys & Games	$6,600,000	22,000
Beer, Wine & Liquor Stores	$6,400,000	12,800
Gift, Novelty & Souvenir Stores	$3,900,000	13,000
Children's, Infants Clothing	$2,200,000	7,300
Luggage & Leather Goods	$1,200,000	4,000
Accessories	$1,100,000	2,200
Men's Clothing	$700,000	2,300
Total Opportunity Gap	$288,600,000	

EXHIBIT 13: RETAIL MARKET PLACE OPPORTUNITY GAP – RETAIL STORES, FIVE, TEN & TWENTY-MILE RADIUS*

*Exhibit 13 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

EXHIBIT 14: RMP OPPORTUNITY GAP

GALVESTON RETAIL STORES, 20-MILE RADIUS

MERCHANDISE CATEGORY	2009 DEMAND (CONSUMER EXPENDITURES) ($ MILLIONS)	2009 SUPPLY (RETAIL SALES) ($ MILLIONS)	OPPORTUNITY GAP/SUPPLIES ($ MILLIONS)
Electronics & Appliance Stores	$56.7	$15.6	$41.1
Grocery Stores	$312.7	$295.6	$17.1
Beer, Wine & Liquor Stores	$20.7	$14.3	$6.4
Pharmacies & Drug Stores	$131.6	$75.6	$55.9
Men's Clothing	$4.8	$4.1	$0.7
Women's Clothing	$19.6	$8.4	$11.2
Children's, Infants Clothing	$4.8	$2.6	$2.2
Family Clothing	$42.4	$9.1	$33.3
Accessories	$1.9	$0.8	$1.1
Shoe Stores	$16.4	$8.6	$7.8
Jewelry	$13.9	$4.7	$9.2
Luggage & Leather Goods	$1.2	—	$1.2
Hobby, Toys & Games	$10.2	$3.6	$6.6
Book Stores	$8.9	$2.0	$6.9
Department Stores	$158.7	$119.8	$38.9
Office Supplies	$13.5	$5.0	$8.5
Gift, Novelty & Souvenir Stores	$10.4	$6.5	$3.9
Quick Service Restaurant	$113.3	$106.0	$7.3
Furniture & Home Furnishings Stores	$49.3	$20.0	$29.3

EXHIBIT 15: RMP OPPORTUNITY GAP

GALVESTON RETAIL STORES, 20-MILE RADIUS, SQUARE FOOTAGE

MERCHANDISE CATEGORY	2009 DEMAND OPPORTUNITY GAP ($ MILLIONS)	RETAIL SQUARE FOOTAGE GAP
Electronics & Appliance Stores	$41.1	82,200 SF [1]
Grocery Stores	$17.1	34,200 SF [1]
Beer, Wine & Liquor Stores	$6.4	12,800 SF [1]
Pharmacies & Drug Stores	$55.9	111,800 SF [1]
Men's Clothing	$0.7	2,300 SF [2]
Women's Clothing	$11.2	37,300 SF [2]
Children's, Infants' Clothing	$2.2	7,300 SF [2]
Family Clothing	$33.3	111,000 SF [2]
Accessories	$1.1	2,200 SF [1]
Shoe Stores	$7.8	26,000 SF [2]
Jewelry	$9.2	9,200 SF [3]
Luggage & Leather Goods	$1.2	4,000 SF [2]
Hobby, Toys & Games	$6.6	22,000 SF [2]
Book Stores	$6.9	23,000 SF [2]
Department Stores	$38.9	130,000 SF [2]
Office Supplies	$8.5	17,000 SF [1]
Gift, Novelty & Souvenir Stores	$3.9	13,000 SF [2]
Quick Service Restaurant	$7.3	14,600 SF [1]
Furniture & Home Furnishings Stores	$29.3	29,300 SF [3]
		[1] @ $500 PSF [2] @ $300 PSF [3] @ $1,000 PSF

TOP EMPLOYERS

The University of Texas – Medical Branch is by far the largest employer of Galveston Island with over 10,000 employees. American National Insurance Company is second with 1,475 employees and the Galveston Independent School District is next with 1,200 employees. The other top employers are tourist oriented, such as Moody Gardens, Landry Seafood and Fertitta Hospitality.

On-Island Employment (Exhibit 16.A.) by sector shows the importance of UTMB and its Medical School. With the addition of Texas A&M – Galveston, over 22,200 employees are in the educational and health care sector. The hospitality sector employs 2,800; while finance (1,510), government (2,100), port and trade (1,000) and retail (2,188) are other important employment sectors.

EXHIBIT 16: GALVESTON TOP EMPLOYERS

SOURCE: GALVESTON CHAMBER OF COMMERCE WEBSITE

EMPLOYER	TOTAL EMPLOYEES
University of Texas Medical Branch	10,000
American Nat'l Ins. Co	1,475
Galveston Ind. School District	1,200
Landry's Seafood[1]	1,045
Galveston County (on Island only)	969
Moody Gardens	840
City of Galveston	825
Fertitta Hospitality[2]	582
Wal-Mart	410
Texas A&M - Galveston	400

1 Landry's Restaurant, Inc includes: Landry's Seafood House, Willie G's Seafood and Steakhouse, Saltgrass Steak House, Rainforest Café, Retail Village & River Adventure Ride, Fisherman's Wharf, Fish Tales and Holiday Inn Resort on the Beach
2 Feritta Hospitality, LLC includes: The San Luis Resort Spa & Conference Center, Hilton Galveston Island and IHOP

EXHIBIT 16.A: ON-ISLAND EMPLOYMENT*

*Exhibit 16.A is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

SUMMARY

Considering the Galveston market area as the 20-mile radius, there is reasonable critical mass to consider Galveston as a "Central Place City" that draws from that region. Galveston's proximity to Houston causes a significant retail leakage to the Greater Houston Area. The retail square footage opportunity demonstrates that there is almost 600,000 SF of retail supply that currently could be supported by local retail demand now going to other markets near and at Houston. We will explore this local opportunity retail square footage gap as we determine the tourists' demand for retail shops and restaurants.

II. INTERNAL ECONOMIC ATTRACTORS FOR GALVESTON ISLAND

The demographics for Galveston Island analyzed in Section 1. took into consideration only those residents that live in the defined 20-mile radius around Galveston. These census demographics do not take into consideration the hidden economic impact of the tourists, the cruise ship passengers, the amusement attractions of Moody Gardens and The Schlitterbahn, the Historic District, eco-tourism, convention visitors and second home owners and beach house renters that are not listed in the U.S. Census.

Exhibit 17 (Galveston Island, Tourism Economic Impact Analysis-2007) is a study conducted prior to the impact of Hurricane Ike. For the purpose of this report, we are assuming by 2010 the tourism patterns of 2007 have returned. The report identifies the four primary sectors of 5,436,500 total visitors – leisure travel, convention, eco-tourism and cultural tourism. The report estimates that the tourism economic impact on Galveston was $561 million in 2007. The four primary sectors of total visitors were estimated to be broken down as 86.4% leisure travel, 3.1% convention attendees, 7.9% eco-tourism and 2.6% cultural tourists.

EXHIBIT 17: GALVESTON ISLAND, TOURISM ECONOMIC IMPACT ANALYSIS – 2007*

*Exhibit 17 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

TOURISM

Exhibit 18 is from the 2008 Travel & Tourism Market Research Handbook. It estimates the total number of visitors to Galveston at 7 million. This fits with the local estimates of 7 million tourists annually – 2.5 million visitors to the Downtown Area and 4.5 "day trippers" that come primarily to the beaches. The Handbook estimates expenditures by visitors to be $372 Million. This is almost $200 million less than Angelou Economics 2007 estimated of $561 Million. The large gap may be related to the large number of "Day Trippers" that come to Galveston and do not fully contribute as normal visitors would.

EXHIBIT 18: GALVESTON VISITORS & EXPENDITURES – 2008*

*Exhibit 18 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

OPPORTUNITY

7 million annual tourists can generate large contributions to the local economy, if the right retail, restaurant and entertainment infrastructure is in place. Converting "Day Trippers" to average guests also creates opportunities for additional hotel facilities.

CRUISE SHIPS

Galveston has grown to the fourth largest port of embarkation in the United States. Exhibit 19 estimates that Galveston had 617,000 passenger embarkations in 2006, compared to 1.15 million at Port Everglades, 1.4 million at Port Canaveral and 1.89 million at Miami. Exhibit 20 shows the impact of Hurricane Ike on Galveston's cruise business in 2008 and 2009 with 403,000 passengers in 2008 and 386,000 passengers in 2009.

EXHIBIT 19: PORTS OF EMBARKATION

ACCORDING TO CLIA, LARGEST NORTH AMERICAN PORTS RANKED BY # EMBARKATIONS IN 2006 ARE AS FOLLOWS

Miami, Florida	1.89 million
Port Canaveral, Florida	1.40 million
Port Everglades, Florida	1.15 million
Galveston, Texas	617,000
Los Angeles, California	592,000
San Juan, Puerto Rico	555,000
New York, New York	536,000
Tampa, Florida	457,000
Vancouver, British Columbia	402,000
Long Beach, California	378,000
Seattle, Washington	373,000
Honolulu, Hawaii	318,000
San Diego, California	180,000
Seward, Alaska	178,000
Cape Liberty, New Jersey	160,000
Jacksonville, Florida	130,000

EXHIBIT 20: TOP 15 CRUISE SHIP PORTS/HURRICANE IKE IMPACT – 2008 & 2009*

*Exhibit 20 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

Exhibit 21, Cruise Trips 9/12/2010-9/04/2011, shows that Galveston has recovered from Hurricane Ike. At full capacity with a full crew, the fiscal year of 9/12/2010 through 9/04/2011 could have 543,000 passenger embarkations from Galveston on Carnival's Conquest and Ecstasy and Royal Caribbean's Voyage of the Seas. This number will increase the next fiscal 2011-12 year when Carnival Magic replaces Carnival Conquest, adding a capacity of 963 more passengers and crew. At the same time, Carnival will replace their Carnival Ecstasy with Carnival Triumph, adding 866 more passengers and crew capacity. The Royal Caribbean Mariner of the Seas will replaced their Voyager of the Seas. We assume this will also be an increase in capacity. The overall increase in capacity for cruises leaving Galveston will be approximately 120,000. This will put the total passenger and crew capacity at 650,000 embarking from Galveston in fiscal year 2012-13.

EXHIBIT 21: GALVESTON CRUISE SHIPS

	CARNIVAL'S CONQUEST[1]	CARNIVAL'S ECSTASY[2]	ROYAL CARIBBEAN VOYAGER OF THE SEAS[3]
Number of Annual Cruises	53	77	22
Passenger Capacity	2,974	2,052	3,114
Total Crew	1,150	920	1,176
Total/Year	219,572	228,844	94,380
Total Passenger - Crew Capacity 9/12/2010 - 9/4/2011	542,796		

1 Carnival Magic Replaces Carnival Conquest on 11/14/2011; 963 more Passenger & Crew Capacity than Carnival Conquest
2 Carnival Truimph Replaces Carnival Ecstasy on 10/6/2011; 886 more Passenger & Crew Capacity than Carnival Ecstasy
3 Royal Caribbean Mariner of the Seas Replaces Royal Caribbean Voyager of the Seas in November 2011

OPPORTUNITY

With over 600,000 passengers coming and going from the cruise ships, there is tremendous opportunity to have them stay over on either side of their cruise, if the proper retail, restaurant, hotel and entertainment infrastructure is available. Crew members of these cruise ships represent opportunities for residential ownership and rentals on the Island.

SECOND HOMES & BEACH RENTAL PROPERTIES

Exhibit 22, Galveston Island Second Homes & Rentals, estimates that there are 6,000 second homes on Galveston Island, primarily beach front. Sand N' Sea estimated that Hurricane Ike reduced the number of beach house rentals from 700 homes to 500. Over the next several years, we are assuming the number of second homes and beach house rentals will return to their pre-Ike numbers. Of the second home owners and the renters, it is estimated that 94% are from the Greater Houston Area. With the higher end nature of the second homes and beach home rentals, most owner families will have incomes at least $100,000 and above. Second-home owners' median income is $120,600 with 60% of owners 45 to 64 years old (Exhibit 22.A.).

OPPORTUNITY

The second home & rentals on the West End needs retail, restaurant and entertainment facilities in Downtown Galveston, that will attract them from the West End to Downtown Galveston.

EXHIBIT 22: SECOND HOMES & BEACH RENTAL PROPERTIES*

*Exhibit 22 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

EXHIBIT 22.A:CHARACTERISTICS OF SECOND HOME OWNERS

SOURCE: TEXAS GULF COAST ON LINE. COM

- Typical vacation-home owner is 59 years old.
- Median age of investment property owners is 55.
- Vacation-home owners' median income is $120,600.
- Investment property owners' median income is $98,600.
- Over 75% of second-home owners are married.
- Baby Boomers are important segment of the second-home market with 60% of owners 45 to 64 years old.
- 82% of all second-home owners drive to their vacation homes.
- 75% of second-home owners purchased their home for vacation use.
- Second-home owners spend a median of 39 nights in their second-home each year.
- 75% of second-home owners do not rent their property.

MOODY GARDENS

According to Exhibit 17, Moody Gardens attracted 2 Million visitors in 2007. We are assuming in 2010 that Moody Gardens recovered to at least that attendance. Exhibit 23 illustrates the unique character of its attraction to tourists with its Aquarium Pyramid, Rainforest Pyramid, IMAX 3D Theater, Ridefilm 4D Special FX Theater, Discovery Museum, Palm Beach and Festival of Lights. As opposed to a traditional theme amusement park, Moody Gardens offers educational and entertainment opportunities. We project these attractions draw both an older and more affluent visitor.

EXHIBIT 23: MOODY GARDEN ATTRACTIONS & VISITORS*

*Exhibit 23 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

OPPORTUNITY

What Moody Gardens is not is a typical theme amusement park. This opens the opportunity to add a theme amusement park on Galveston Island, that would create synergies with Moody Gardens and Schlitterbahn to attract more families who would extend their vacation one or more days than they do now. A theme amusement park would have more appeal to Galveston's "Day Trippers" and their families. Getting the "Day Trippers" to extend their stay overnight would benefit the hotels.

SCHLITTERBAHN WATER PARK

Exhibit 24 details the Schlitterbahn attractions. Exhibit 51 shows that Schlitterbahn in Galveston is the 18th most visited Water Park in the world with over 530,000 visitors annually The Schlitterbahn is open year round, operating on weekends during the school year.

EXHIBIT 24: SCHLITTERBAHN ATTRACTIONS & VISITORS*

*Exhibit 24 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

OPPORTUNITY

In conjunction with Moody Gardens, The Schlitterbahn attracts young families to complement the visitors attracted to Moody Gardens. Both attractions open the opportunity to add a theme amusement park to extend family stays for multiple activities, helping to fill up the Island's hotels.

HISTORIC DISTRICT (CULTURAL TOURISM)

Exhibit 17 points out the significance of the Historic District: "The Strand District represents the core of Galveston's National Historic Landmark District. Featuring a unique collection of 19th Century commercial buildings in the city's downtown area." "In 2007, nearly 775,000 tourists visited The Strand District." 140,000 of those tourists were cultural tourists who visited one or more of Galveston's historic assets.

OPPORTUNITY

The Strand District is the anchor on the East side of Downtown Galveston that is a strong tourist draw. The opportunity is the development of a connector corridor to UTMB that provides entertainment, retail and restaurants that will complement The Strand District, giving tourists, second-home owners, cruise ship passengers and others more activities in the Downtown Galveston Area.

ECO-TOURISM

Although Hurricane Ike has had a significant impact on eco-tourism, more than 430,000 visitors to Galveston in 2007 prior to Ike. The recreational sportfishing and bird watching areas are expected to recover to 2007 visitor levels.

CONVENTION VISITORS

In 2007, the two Galveston Island convention centers served over 170,000 visitors – Moody Garden's gets 60-65% of its convention center business from Texas groups and associations. For larger conventions beyond Moody Gardens' capacity, Moody Gardens will collaborate with the Galveston Island Convention Center on the sea wall.

OPPORTUNITY

Convention goers want night life, as well as a number of entertainment venues. The expansion of the entertainment, retail and restaurant categories will help reinforce Galveston as a viable convention center.

SUMMARY

With Galveston as a destination for tourists, cruise ship embarkations, second-home owners, entertainment seekers, historic and cultural visitors, eco-tourists and conventions, there are currently significant voids in entertainment, retail and restaurants. When these voids are filled, Galveston will be able to add significantly to its employment base, as new entertainment, retail and restaurant, hotels, etc venues are added.

EXHIBIT 25: HISTORIC DISTRICT ATTRACTIONS & VISITORS*

*Exhibit 25 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

EXHIBIT 26: GALVESTON TOURISM BY PRIMARY TRIP PURPOSE

SOURCE: GALVESTON TOURISM ECONOMIC IMPACT ANALYSIS

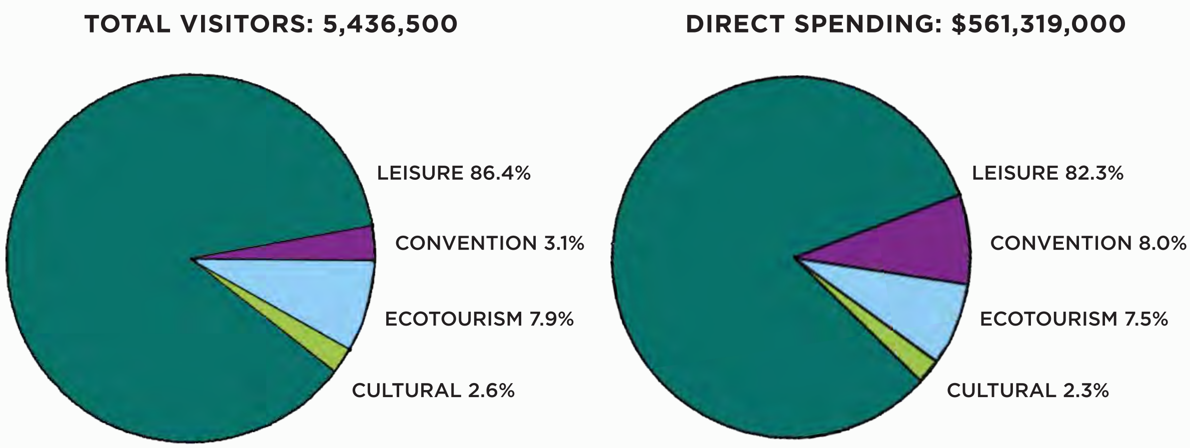

EXHIBIT 27: CONVENTION VISITORS – GALVESTON ISLAND CONVENTION CENTER, MOODY GARDENS CONVENTION CENTER*

*Exhibit 27 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

UNIVERSITY OF TEXAS – MEDICAL BRANCH

EMPLOYEES

Exhibit 28 reinforces the importance of UTMB to Galveston Island, employing 10,810 of the 22,000 health & educational sector previously identified. UTMB has detailed that 7,168 of their employees work on the Main Campus on Galveston Island.

EXHIBIT 28: UTMB EMPLOYEE STATISTICS

INCOME	# OF EMPLOYEES
Under $30,000	1,641
$30-$60,000	5,514
$61-$100,000	2,513
$101,000 +	1,142
Total	10,810

TOTAL SUMMARY BY HOME ZIP		
Home Zip	Area	Total
77550	On Island	1280
77551	On Island	792
77552	On Island	19
77553	On Island	24
77554	On Island	458
77555	On Island	86
		2659

TOTAL SUMMARY BY WORK ZIP					
Work Zip	Area	Total	Work Zip	Area	Total
77555	Main Campus	7168	77327	mainland	8
75151	mainland	19	77340	mainland	370
75207	mainland	39	77351	mainland	60
75241	mainland	33	77396	mainland	41
75418	mainland	38	77422	mainland	18
75494	mainland	10	77469	mainland	173
75570	mainland	61	77478	mainland	29
75652	mainland	30	77515	mainland	34
75684	mainland	10	77535	mainland	72
75785	mainland	144	77539	mainland	118
75835	mainland	22	77583	mainland	137
75851	mainland	31	77705	mainland	273
75852	mainland	28	77807	mainland	16
75860	mainland	28	77868	mainland	53
75861	mainland	172	77954	mainland	19
75882	mainland	26	78014	mainland	8
75886	mainland	59	78017	mainland	14
75941	mainland	32	78102	mainland	57
75951	mainland	8	78119	mainland	51
75990	mainland	44	78252	mainland	35
76084	mainland	16	78384	mainland	8
76240	mainland	17	78539	mainland	22
76426	mainland	11	78541	mainland	26
76458	mainland	17	78580	mainland	16
76511	mainland	18	78611	mainland	12
76528	mainland	114	78640	mainland	14
76598	mainland	16	78644	mainland	19
76599	mainland	76	78701	mainland	357
76661	mainland	35	78724	mainland	21
76664	mainland	43	78752	mainland	1
76804	mainland	32	78861	mainland	24
76877	mainland	10	78942	mainland	17
77002	mainland	2	79107	mainland	3
77320	mainland	267	79777	mainland	8
					10810

The income breakdown of UTMB's employees demonstrated the impact UTMB has on the local community. Over 1,142 employees earn over $101,000. This number does not fully reveal the high salaries that most doctors and medical professors earn, which are normally over $500,000 annually. There are 2,513 employees that earn $61,000-$100,000, establishing a decent middle class core. However, the bulk of employees (7,155) earn $60,000 or less.

UTMB STUDENTS

Exhibit 29 breaks down the number of UTMB students in its four Health Sciences Schools. There are 627 students in the School of Nursing, 920 students in the School of Medicine, 590 students in the School of Health Professionals and 293 students in the Graduate School-Biomedical Sciences for a total of 2,430 students.

EXHIBIT 29: UTMB STUDENT STATISTICS

HEALTH SCIENCES SCHOOLS	# OF STUDENTS
School of Nursing	627
School of Medicine	920
School of Health Professions	590
Graduate School Biomedical Sciences	293
Total	2,430

PATIENTS, RELATIVES AND VISITORS

Exhibit 30 details the number of annual Admissions (20,449), Clinic Visits (521,764) and Emergency Room visits (15,296). These numbers, coupled with the relatives and friends who accompany these patients and set up temporary living arrangements, create a 24/7 medical village.

EXHIBIT 30: PATIENT ADMISSIONS, CLINIC VISITS, & ER VISITS

UTMB Admissions	20,449
UTMB Clinic Visits	521,764
UTMB Emergency Room Visits	15,296

OPPORTUNITY

The University of Texas-Medical Branch is a 24/7 medical village that needs to accommodate patients, relatives and visitors. Combined with the medical doctors and nurses, medical students and medical staff, a mixed-use village can be supported that includes a limited service suites hotel, an organic grocery store, large pharmacy, retail shops, retail services, restaurants and quick-service restaurants adjacent to the UTMB Hospital Complex.

TEXAS TOURIST'S FAVORITE ATTRACTIONS

Exhibit 15 in Section I. has already identified that there is a gap of 600,000 SF of retail demand that is not currently being met in the 20-mile radius of Galveston Island. Since Section II. identified Galveston Island as a significant tourist destination with 5.5 to 7.0 million visitors a year, it is important to identify retail and restaurant opportunities traditionally found in these tourists destinations. These opportunities are based on the behavior and priorities of tourists while on vacation.

In Exhibit 31, Travel to Beaches, beach travelers rated their favorite activities while at a beach as follows: dining out (46%), touring or sightseeing (39%), shopping (37%), entertainment activities (33%) and nightlife activities (14%). To corroborate these statistics, Exhibit 32, Leisure Travel – The 2008 Travel & Tourism Market Research Handbook, identified leisure travelers most common trip activities are: dining (33%), shopping (28%), entertainment (23%), touring (20%) and nightlife (8%). Exhibit 33, Characteristics of Family Travel, identified that trips with children engage in the following activities: shopping (37%), outdoor activities (21%), historical places/museums (14%) and theme/amusement parks (15%).

To put these statistics into a Texas context, Exhibit 34, Top Activities at the Destination, Texas visitors preferred activities were: dining (32%), shopping (27%), entertainment (22%), sightseeing (20%) and nightlife (9%). In Exhibit 35, Texas Travel Facts, it is important to note that the top attraction for Texans in the state of Texas is the San Marcos Outlet Malls. For non-Texans, it is interesting to note that theme/amusement parks are highly rated: Six Flags over Texas (3), Sea World of Texas (6), Moody Gardens (13), Astro-World (16) [now closed] and Schlitterbahn - New Braunfels (19). For Texans, the same theme/amusement parks are ranked: Six Flags over Texas (5), Sea World of Texas (6), Moody Gardens (10), Astro-World (11) and Schlitterbahn - New Braunfels (13).

EXHIBIT 31: BEACH TRAVELERS FAVORITE ACTIVITIES*
EXHIBIT 32: MOST COMMON TRIP ACTIVITIES*
EXHIBIT 33: CHARACTERISTICS OF FAMILY TRAVEL*
EXHIBIT 34: TOP ACTIVITIES AT TOURIST DESTINATIONS - TEXAS*

*Exhibits 31-34 are included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

EXHIBIT 35: TEXAS ATTRACTIONS

SOURCE: TEXAS TRAVEL FACTS 2008

RANK	FOR NON-TEXANS	RANK	FOR TEXANS
1	Alamo	1	San Marcos Outlet Malls
2	River Walk	2	Alamo
3	Six Flags over Texas	3	River Walk
4	Houston Space Center	4	State Capitol
5	Fort Worth Stockyards	5	Six Flags over Texas
6	Sea World of Texas	6	Sea World of Texas
7	State Capitol	7	South Padre Island
8	Texas Motor Speedway	8	Fiesta Texas
9	Ameriquest Field	9	San Antonio Zoo
10	Texas Stadium	10	Moody Gardens
11	South Padre Island	11	Astroworld
12	San Marcos Outlet Malls	12	Minute Maid Field
13	Moody Gardens	13	Schlitterbahn (New Braunfels)
14	Padre Island National Seashore	14	Ameriquest Field
15	Texas State Aquarium	15	Padre Island National Seashore
16	Astroworld	16	Fort Worth Stockyards
17	Fort Worth Zoo	17	USS Lexington
18	San Antonio Zoo	18	Fort Worth Zoo
19	Schlitterbahn (New Braunfels)	19	Texas State Aquarium
20	Fiesta Texas	20	Houston Space Center
21	LBJ Library	21	Texas Motor Speedway
22	Minute Maid Field	22	Texas Stadium
23	Big Bend National Park	23	Bush Presidential Library
24	USS Lexington	24	Texas State Railroad
25	JFK Assassination Site	25	Big Bend National Park
26	Bush Presidential Library	26	LBJ Library
27	Galveston Strand	27	Texas State Fair
28	Galveston Island	28	Houston Zoo
28	Southfork Ranch	28	Bob Bullock Texas State History Museum
28	Commemorative Air Force Museum	28	Galveston Island

ANALOGUE TOURIST DESTINATIONS

These tourist activities analyses show that the most important attractions for tourists are dining, shopping, entertainment, sightseeing and theme/amusement parks. Recognizing the importance of these activities, we will assess Galveston Island's facilities to determine where there are currently opportunities (voids) to add attractions to the current base. The best way to accomplish this is to compare Galveston Island to analogue destinations, such as Blowing Rock, NC; Pigeon Forge, TN; Rehoboth Beach, DE; and Williamsburg, VA. These tourist destinations were selected for the range of their tourist visitors and what retail shopping is supported there.

EXHIBIT 36: ANALOGUE TOURIST DESTINATIONS

SOURCE: 2008 TRAVEL & TOURISM MARKET RESEARCH HANDBOOK

RESORT	# TOURISTS (IN MILLIONS)	VISITOR EXPENDITURE (IN MILLIONS)
Galveston, TX	7.0	$372.0
Blowing Rock, NC	2.0	$164.0
Branson, MO	7.3	$1,500.0
Hilton Head, SC	2.3	$200.0
Myrtle Beach, SC	12.7	$2,100.0
Outer Banks, NC	5.0	$646.0
Pigeon Forge, TN	11.2	$777.0
Rehoboth Beach, DE	6.2	$870.0
Williamsburg, VA	4.0	$632.0

ANALOGUE RETAIL OUTLET CENTERS IN TOURISTS DESTINATIONS

The most obvious void for Galveston Island in retail facilities compared to the analogue resorts is the total lack of a national factory outlet shopping center. In all the analogue tourists destinations, Factory Outlet Shopping Center are the dominant shopping venue. This of course, matches up with tourists' high rating for the shopping experience while on vacation. Exhibit 37 A-J, are examples of Factory Outlet Shopping Centers in these analogue tourist destinations. Exhibit 38 shows that the San Marcos Outlet Centers total over 1 million square feet of Factory Outlet shops.

EXHIBIT 37.A-J: ANALOGUE OF RETAIL OUTLET CENTERS*

A. San Marcos (Tanger & Prime Outlets)
B. Williamsburg, VA (Prime Outlets)
C. Sevierville, TN (Pigeon Forge) (Tanger Outlets)
D. Rehoboth Beach, DE (Tanger Outlets)
E. Nags Head, NC (Tanger Outlets)
F. Myrtle Beach, SC (Tanger Outlets)
G. N. Myrtle Beach, SC (Tanger Outlets)
H. Blowing Rock, NC (Tanger Outlets)
I. Hilton Head, SC (Tanger Outlets)
J. Branson, MO (Tanger Outlets)

*Exhibit 37.A-J is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

GALVESTON ISLAND RETAIL OUTLET CENTER POTENTIAL

In Exhibit 38, we are able to use the total number of tourists and the total square footage of outlet retail to project how many square feet of outlet shops can be supported by Galveston Island's 7 million tourists. Through this extrapolation, we project that Galveston Island's tourist population could support 532,000 SF of factory outlet stores.

EXHIBIT 38: TOURIST MARKET COMPARISON

TOTAL VISITORS, TOTAL VISITOR EXPENDITURES, AND OUTLET RETAIL SQUARE FOOTAGE

RESORT	# VISITORS (IN MILLIONS) [1]	VISITOR EXPENDITURES (IN MILLIONS) [1]	TL SF OF OUTLET RETAIL	SF OF OUTLET RETAIL/VISITOR
Galveston, TX	7.0	$372.0	0	0
Blowing Rock, NC	2.0	$164.0	104,235 [2]	.052 SF/Visitor
Branson, MO	7.3	$1,500.0	602,992 [4]	.083 SF/Visitor
Hilton Head, SC	2.3	$200.0	196,000 [2]	.085 SF/Visitor
Myrtle Beach, SC	12.7	$2,100.0	827,000 [3]	.065 SF/Visitor
Outer Banks, NC	5.0	$646.0	82,178 [2]	.017 SF/Visitor
Pigeon Forge, TN	11.2	$777.0	869,038 [4]	.078 SF/Visitor
Rehoboth Beach, DE	6.2	$870.0	568,868 [2]	.092 SF/Visitor
Williamsburg, VA	4.0	$632.0	668,404 [3]	.167 SF/Visitor
			Average = .080 SF/Visitor Average w/o highest & lowest = .076 SF/Visitor	

1 Source: The 2008 Travel & Tourism Market Research Handbook
2 One Outlet Center in Market
3 Two Outlet Centers in Market
4 Three Outlet Centers in Market

SAN MARCOS OUTLETS	SF
Prime Outlets	672,093
Tanger Outlets	441,929
Total	1,114,022 SF

*Supportable Outlet Center SF in Galveston = .076 SF/Visitor x 7.0 Million Visitors = 532,000 SF

HOUSTON RETAIL OUTLET CENTER COMPETITION

This supportable square footage would be reduced by any competitive Factory Outlet Center within 50 miles. However, the only significant Factory Outlet Centers in the Houston market are Houston Premium Outlets (Exhibit 39.A.), Katy Mills (Exhibit 39.B.) and Conroe Outlet Center (Exhibit 39.C.), who are respectively 89 miles, 82 miles and 94 miles away. This means that the entire south side of Houston has no Factory Outlet Centers in which to shop. Considering this void in the south Houston area, we would expect that a Factory Outlet Center in Galveston would not only meet the needs of the 7 million Galveston tourists, but also draw from the densely populated southern Houston area for its Factory Outlet shopping.

EXHIBIT 39.A-C: GALVESTON ISLAND RETAIL OUTLET CENTER COMPETITION*

A. Houston Premium Outlets
B. Katy Mills Outlet Center
C. Outlets at Conroe, TX

*Exhibit 39.A-C is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

GALVESTON ISLAND RETAIL OUTLET CENTER MERCHANDISING PLAN

In order to create a merchandising plan for a Factory Outlet Center on Galveston, we created a Retail Matrix (Exhibit 40) from retailers in Tanger and Prime Outlet Centers in San Marcos, TX; Tanger Outlets in Branson, MI; Blowing Rock, NC; Hilton Head, SC; Myrtle Beach, SC; N. Myrtle Beach, SC; Nags Head, NC; Rehoboth Beach, DE; and Pigeon Forge, TN and the Prime Outlet in Williamsburg, VA.

EXHIBIT 40: RETAIL OUTLET CENTER RETAILER MATRIX*

*Exhibit 40 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

From this Retailer Matrix, we created the Prospective Factory Outlet Tenants List (Exhibit 41). From these prospects, we decided that the Factory Outlet Center on Galveston Island should be developed in two phases – 210,600 SF in Phase One and 157,000 SF in Phase Two (Exhibit 42). Each phase has identified specific outlet retailers that we feel would fit Galveston's tourists' profile in a specific time frame.

EXHIBIT 41: FACTORY OUTLET PROSPECTIVE TENANTS*

*Exhibit 41 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

EXHIBIT 42: GALVESTON ISLAND FACTORY OUTLET CENTER

MERCHANDISING PLAN

MERCHANDISE CATEGORY	PHASE 1	PHASE 2	TOTAL CENTER SF
Anchors	16,000	-	16,000
Accessories, Luggage & Jewelry	12,500	2,000	14,500
Mens' & Women's Apparel	68,100	25,000	93,100
Men's Apparel	18,000	-	18,000
Women's Apparel	23,500	25,000	48,500
Children's Apparel	20,000	16,000	36,000
Footwear	31,000	28,000	59,000
Specialty Stores	21,500	34,000	55,500
Restaurants	—	16,000	16,000
Food Court	—	11,000	11,000
Total	210,600	157,000	367,600

GALVESTON ISLAND RESTAURANT MERCHANDISING PLAN

Exhibit 43 is the restaurant matrix for existing Galveston restaurants, KEMAH area restaurants and top Houston restaurants. Galveston Island currently has an excellent range of restaurants for local residents and tourists. The Landry restaurants provide many of the most popular existing restaurants. There are many of the Kemah restaurants that would be good additions to Galveston, eg. Babin's Seafood House, Red Sushi, Ichiban's Japanese Restaurant and Bakkhus Taverna.

EXHIBIT 43: RESTAURANT MATRIX*

*Exhibit 43 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

Depending upon the execution of the retail, entertainment and mixed-use strategies top Houston restaurants should be targeted to meet the increased demand for dining out.

RETAIL OUTLET CENTER JOB CREATION

The desirability of a Factory Outlet Center is pointed out in Exhibit 44. The characteristics of factory outlet shopper is they are relatively affluent, have higher home ownership, are better investors, better educated, are primarily female shoppers (58%) and mostly married (62%). Exhibit 45, Outlet Centers Rise to the Top During Recession, points out the current consumer trend toward outlet center retailers. This has resulted in positive sales and occupancy growth during " The Great Recession." Many retailers are shifting their new store openings to outlet centers, as opposed to regular priced retail outlets.

EXHIBIT 44: THE FACTORY OUTLET SHOPPER*

*Exhibit 44 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

EXHIBIT 45: OUTLET CENTERS RISE TO THE TOP DURING RECESSION*

*Exhibit 45 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

Exhibit 46 points out in Tanger Outlet Centers' 2009 annual report that 'receive at least 5 million visitors annually are also on our development radar.' Galveston Island meets Tanger Outlet's for the development of Tanger Outlet Center, ranging form 100,000 SF to 350,000 SF. In Exhibit 47, Tanger estimates that the development of their newest Tanger Outlet Center in Mebane, NC will create more than 300 construction jobs and 800 permanent full and part-time jobs in retail, management and sales.

EXHIBIT 46: TANGER OUTLET MARKET CRITERIA*
EXHIBIT 47: RETAIL OUTLET JOB CREATION*

*Exhibits 46-47 are included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

SUMMARY

Galveston Island's annual tourist population of 5.5-7.0 million can support at least a 360,000 SF Factory Outlet Center, preferably in two phases – the first 200,000 SF and the second 150,000 SF. The development of this 360,000 SF Factory Outlet Center would create over 300 construction jobs and 800 permanent full and part-time jobs. We recommend contacting the two dominant Factory Outlet Center companies – Tanger Outlet or Simon's Chelsea Premium Outlet Centers to develop a center on Galveston Island.

V. ENTERTAINMENT OPPORTUNITIES FOR GALVESTON ISLAND

ANALOGUE ENTERTAINMENT DESTINATION

In order to determine entertainment opportunities (voids) on Galveston Island, we draw correlations with analogue entertainment destinations. Exhibit 48.A. is a list of the theme parks and water parks that are in the same tourist destination, such as the Magic Kingdom and Typhoon Lagoon/Blizzard Beach; Dollywood/Splash Country; and Busch Garden/Water Country, U.S.A. The other theme park analogues were used to draw a correlation to determine the potential job creations.

EXHIBIT 48.A: ANALOGUE ENTERTAINMENT DESTINATIONS*

EXHIBIT 48: TOP 50 NORTH AMERICAN AMUSEMENT/THEME PARKS – 2005*

EXHIBIT 49: TOP 15 U.S. WATERPARKS – 2005*

EXHIBIT 50: TOP 25 THEME PARKS – 2009*

*Exhibits 48-50 are included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

Galveston Island is unique in that it has two highly successful entertainment venues – Moody Gardens and The Schlitterbahn. Moody Gardens had 2 million visitors in 2007 and The Schlitterbahn had 530,000 visitors in 2009 (Exhibit 51). What is unusual is that, in spite of these two successful venues, Galveston Island has no theme amusement park. This appears to be a major opportunity (void) in Galveston Island

EXHIBIT 51: TOP 20 WATERPARKS -2009*

*Exhibit 51 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

ANALOGUE ENTERTAINMENT POTENTIAL CORRELATION

Exhibit 52 utilizes numbers in Exhibit 50 and 51 to draw correlations from theme parks and waterparks at the same tourist destinations. Since we have the Schlitterbahn's attendance of 530,000 visitors in 2009, we are able to extrapolate the number of visitors that a potential theme park would generate. A theme park built on Galveston Island has the potential to attract over 2.2 million visitors annually. This would make its attendance the 27th largest in the United States.

EXHIBIT 52: THEME PARK – WATERPARK CORRELATION

THEME PARK	# OF VISITORS	WATERPARK	# OF VISITORS	WATER PARK/ THEME PARK CORRELATION FACTOR
Magic Kingdom (Orlando)	16,160,000	Typhoon Lagoon & Blizzard Beach	3,950,000	24.5%
Dollywood (Pigeon Forge)	2,360,000	Splash Country	491,000	20.8%
Busch Garden (Williamsburg)	2,600,000	Water Country, USA	700,000	26.9%
			Average	23.9%
Potential Theme Park (Galveston)	2,218,000	Schlitterbahn (Galveston)	530,000	23.9%

It is estimated that an Amusement Park in Galveston would attract over 2.2 million visitors per year, based on The Schlitterbahn's 530,000 visitors per year.

HOUSTON ENTERTAINMENT COMPETITION

In regard to competition, Houston's only theme amusement park, Six Flags Astroworld (Exhibit 53), closed in 2005 with a last year's attendance of 1,330,000 visitors (Exhibit 48). There are future plans for an Earth Quest Adventures Theme Park (Exhibit 54) to the North of Houston. It would not appear that this theme park would represent any competition to a theme amusement park in Galveston.

EXHIBIT 52: THEME PARK/WATERPARK CORRELATION POTENTIAL*

EXHIBIT 53: CLOSING OF SIX FLAGS/ASTROWORLD*

EXHIBIT 54: FUTURE NEW CANEY AMUSEMENT PARK*

*Exhibits 52-54 are included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

KEMAH ENTERTAINMENT COMPETITION

It is difficult to gauge how successful KEMAH Boardwalk is. Its attendance is not listed in the top 25 North American Theme Parks where the 25th position had 2.5 million visitors. KEMAH was the primary beneficiary of the closing of Six Flags Astroworld when it closed in 2005. With a 2005 attendance of 1.3 million, even a partial transfer to KEMAH from Astroworld was beneficial.

KEMAH Boardwalk is 26 miles from Galveston Island, a thirty minute drive. With the wide array of rides, restaurants and amusements, KEMAH does represent a formidable competitor. However, it is 26 miles away! With an adjacency near Moody Gardens and The Schlitterbahn, a new Galveston theme park has the potential to attract families to stay for a third day.

EXHIBIT 55: CURRENT COMPETITION – KEMAH BOARDWALK*

*Exhibit 55 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

GALVESTON ISLAND ENTERTAINMENT PLAN

THEME PARK

A Galveston Island theme amusement park should contain the basic rides that are in most other theme parks, listed in Exhibit 56. All the criteria that are considered necessary for a successful theme park – population, transportation, weather and tourism infrastructure – are met by Galveston Island. With the competition of KEMAH Boardwalk, a theme park developer should decide whether to build the entire theme park at once or do it incrementally, adding rides and attractions as each increment proves to be successful.

EXHIBIT 56: GALVESTON ISLAND THEME PARK PLAN*

*Exhibit 56 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

FAMILY ORIENTED ENTERTAINMENT

Touring the Downtown District of Galveston Island, it is apparent that there is little entertainment for families. We would recommend that entrepreneurs be encourage to fill in vacant blocks with games, rides and amusements targeted at families, such as listed in Exhibit 57.

EXHIBIT 57: PROSPECTS FOR FAMILY ORIENTED ENTERTAINMENT*

*Exhibit 57 is included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

The ULI report, The Strand Seaport, Galveston, Texas (Appendix 1), identified a “new style of dinner movie house, such as the Alamo Drafthouse” as a necessary attractor to the Strand. In addition, the report recommended “performance artists in concert with live music, retail, kiosks and food-and-beverage vendors could make for a lively waterfront scene.” We concur with the ULI’s report to provide a “band shell” or amphitheater; bicycle, boat and electric cart rentals; and “fireworks after dark” over the water in order to attract and to keep tourist longer on The Strand.

THEME PARK AND ENTERTAINMENT JOB CREATION

By using analogue theme parks that have approximately two million visitors per year, we are able to project the number of seasonal jobs that a new theme amusement park would create on Galveston Island. The number of seasonal jobs supported by theme parks range from 1,300 to 3,000 seasonal workers annually. Because a theme park in Galveston would operate year-round (on weekends during the school year and holidays), there is a greater opportunity that seasonal workers would have a greater extended period of employment than most amusement parks.

Using the analogue parks of Busch Gardens, Dollywood, Six Flags over Texas, Kings Dominion, Great America, Six Flags over Georgia and Silver Dollar City, we are able to extrapolate that a new theme amusement park on Galveston would attract 2.2 million visitors per year, which in turn would support over 2,000 seasonal jobs (Exhibit 58)!

EXHIBIT 58: JOB CREATION FOR THEME PARKS

THEME PARK	# OF VISITORS (MILLIONS)	# OF SEASONAL EMPLOYEES	% CORRELATION EMPLOYEES/VISITORS
Busch Gardens Williamsburg, VA	2.6	3,000	.0012/visitors
Dollywood Pigeon Forge, TN	2.36	1,900	.0008/visitors
Six Flags over Texas Arlington, TX	2.31	1,800	.0008/visitors
Paramount's Kings Dominion Richmond, VA	2.22	1,300	.0006/visitors
Paramount's Great America Santa Clara, CA	2.07	1,300	.0007/visitors
Six Flags over Georgia Cobb County, GA	2.05	2,765	.0014/visitors
Silver Dollar City Branson, MO	1.91	1,993	.0011/visitos
		Average	.00094 employees/ visitor

Projected Jobs Creation for Galveston Amusement Park

Projected visitors x .00094 employees/visitor = number of projected jobs
2,180,000 visitors x .00094 employees/visitor = 2,049 seasonal jobs

SUMMARY

There is an opportunity (void) on Galveston Island for a theme amusement park. With Moody Gardens drawing 2 million visitors and The Schlitterbahn attracting 530,000 visitors annually, there is an opportunity to increase family vacation stays on Galveston Island with a third entertainment facility, a theme amusement park. Moody Gardens is a unique entertainment and educational facility that is a substantial asset to Galveston Island. Typically, Water Parks, like The Schlitterbahn, are paired with successful theme amusement parks. Utilizing the attendance of The Schlitterbahn and the analogue theme/water parks, we project that a theme amusement park on Galveston Island would attract 2.2 million visitors annually.

Currently the Houston Metropolitan Area has no theme amusement park, since the closing of Astroworld in 2005, with the exception of the KEMAH Boardwalk. We believe that KEMAH Boardwalk can co-exist successfully with an amusement park on Galveston Island. KEMAH will continue to attract visitors from the Greater Houston Area, while Galveston Island's theme park would capitalize on the synergy with Moody Gardens, The Schlitterbahn and 7 million tourists. Combined with adding entertainment along The Strand, we believe that over 2,000 seasonal jobs would be created.

UTMB CENTRIC MIXED-USE CENTER

The University of Texas Medical Branch is a main economic force on Galveston Island. There are 2,460 students (Exhibit 60) in the four health sciences schools, supported by 883 faculty and 499 residents (Exhibit 59). UTMB has 41 clinics; 398 beds; 20,449 admissions; 521,764 clinic visits and 15,296 emergency room visits in 2009. UTMB has a fiscal year budget of $1.5 billion; 11,600 employees; and an 80-acre Galveston Campus, consisting of 80 major buildings. UTMB is currently recruiting additional faculty to expand priority research programs; increase clinical service and revenue; and support planned enrollment growth. These statistics demonstrate that UTMB on Galveston Island represents an economic engine which has not been fully exploited.

EXHIBIT 59: UTMB MASTER FACILITIES PLAN, 2010-2035*

EXHIBIT 60: UTMB FALL 2009 OFFICIAL STUDENT ENROLLMENT SUMMARY*

EXHIBIT 61: HIDDEN ECONOMY – UTMB STUDENTS' DISPOSABLE EXPENDITURES*

EXHIBIT 62: UTMB FACULTY SUMMARY – FALL 2009*

*Exhibits 59-62 are included in the separate volume, *Feasibility Study for Retail, Entertainment, and Mixed-Use Development* (Prepared by John Millar for Divaris Real Estate)

RESIDENTIAL

With 2,460 students, 833 faculty, 499 residents and 3,655 UTMB employees earning over $60,000 (1,142 employees earn over $100,000), UTMB has a strong market for adjacent residential condos and apartments. Creating a mixed-use "village" adjacent to UTMB would particularly meet the needs of UTMB students, faculty and medical residents, who would prefer quality, upscale residences adjacent to the UTMB Campus. In particular, the medical students' lives are totally wrapped in their studies and prefer adjacent residences. As part of the mixed-use "village" development, the developer could enter an agreement with UTMB to provide necessary housing for both students, faculty and employees. Each residential building could be added incrementally as current condos and apartments are bought or rented. These residential buildings would be built to a Master Plan that incorporated residential, retail and hospitality built to primarily meet the needs of UTMB.

RETAIL

Although the Factory Outlet Center would fill much of the retail square footage gap in Exhibit 15, such as Men's, Women's & Children's Clothing, Accessories and Shoes, the mixed-use "village" center would be a better venue for a gourmet grocery store, wine store & bar, a pharmacy, book store, office supplies, gift stores, specialty stores and restaurants. Exhibit 61 shows that UTMB student could support over 36,000 SF of retail on their own. A gourmet grocery store, such as Whole Foods, would not only service the UTMB campus, but also draw local and tourist consumers. A pharmacy adjacent to the UTMB campus would not only service patients, outpatients and "village" residents, it would provide a needed anchor use for the west end of The Strand. Barnes & Noble Campus Store would be a possibility due to the student population at UTMB being over 2,400 students. Restaurants, Quick Service Restaurants and upscale specialty stores would be a focus for the merchandise mix, particularly if the "village" location was situated facing on waterfront property adjacent to UTMB.

HOTELS

With over 20,000 UTMB hospital admissions annually, there is a need for at least a 120-bed limited service suites hotel adjacent to UTMB. A suites hotel, such as a Marriott Residential Inn, Towne Place Suites or Spring Hill Suites, targeted specifically to patients and their relatives would meet their needs. If demand turns out to be greater than one 120-bed limited service suites hotel can accommodate, the Master Plan for a mixed-use "village" center should have a future hotel site built into the plan

UTMB CENTRIC MIXED-USE VILLAGE

RETAIL	
Organic Grocer	36,000 SF
Pharmacy	12,000 SF
Quick Service Restaurants	6,000 SF
Full Service Restaurants	10,000 SF
Campus Bookstore	16,000 SF
Upscale Specialty Stores	20,000 SF
TOTAL RETAIL SF	100,000 SF
RESIDENTIAL	
PHASE 1	100 UNITS of Upscale Apartments
PHASE 2	100 UNITS of Upscale Apartments
Total Residential Units	200 UNITS
HOTEL	
	120-ROOM Limited Service Suites Hotel

MIXED-USE JOB CREATIONS

Depending upon the sequencing of the development, we would expect 200 to 300 construction jobs to be created and 300 to 400 full time and part-time permanent jobs for the retail and hotel components.

POTENTIAL JOB CREATION

STRATEGY	CONSTRUCTION	PERMANENT
Factory Outlet Center	300	800 FT/PT
Theme Park	400	2,000 Seasonal
Mixed-Use Village	300	400 FT/PT
TotaL	1,000	3,200

SUMMARY

The University of Texas Medical Branch has the critical mass of student, faculty, medical staff, patients and employees on Galveston Island to develop an adjacent mixed-use "village" center, preferably on water. Ideally, the site would be 20-acres with an ultimate build out of 200 residential units; 100,000 SF of retail, anchored by a gourmet grocery store of 36,000 SF and a pharmacy of 12,000 SF; and at least one 120-room limited service suites hotel.

Appendix I
Public Workshop Input Report: Day One — Historic Downtown

Prepared for:

The Historic Downtown Strand & Seaport Partnership

Prepared by:

H&A Architects & Engineers (Formerly CMSS Architects)

Ewert & Company, LLC

October 2009

ACKNOWLEDGMENTS

HISTORIC DOWNTOWN GALVESTON PARTNERSHIP BOARD OF DIRECTORS

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David Johnson, ASLA	Landscape Architect
Stephanie McMorris, Associate AIA	Landscape Architect
W. Greg Simon, AIA, NCARB, LEED™ AP	LEED™ Specialist
Nishith Trivedi	Planner / GIS
Dave Warwick	Architectural Illustrator
Scott Wertz	Architectural Illustrator
TJ Blanchflower	Senior Graphic Designer
Elizabeth Stalica	Graphic Designer

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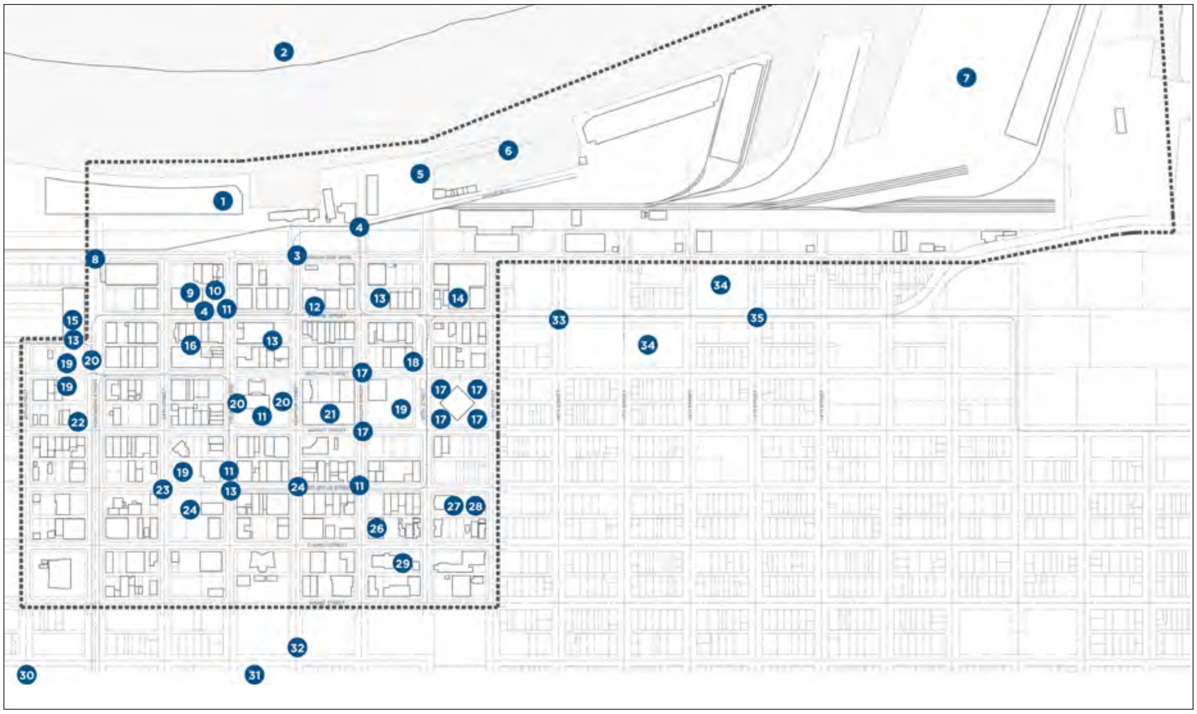
DOWNTOWN: OPPORTUNITIES PUBLIC INPUT MAP



1. Enact legislation to allow Galveston to become a Port of Call
2. Spur the rebirth of Downtown; improve image; attract new business
3. Connectivity across Harborside
4. Chamber of commerce substation / info kiosk
5. Harbor development
6. Boat basin marina
7. Development in light of proximity to harbor
8. Commuter rail / Mass Transit Hub
9. Strand Entertainment, outdoor dining / trees
10. Location for Artists / Street Entertainers to perform without fee
11. Bike racks / walking lanes
12. Festivals and events (consistently)
13. Public restroom
14. Farmers' market
15. Train to downtown Houston
16. Beautification of alleys into bicycle lanes & walkways
17. Landscaping
18. Seaman's Center, make it more accessible, and provide better service
19. Infill parking structure - vertical parking in lieu of surface lots
20. Utilize Bank of America open space for retail and parking structure
21. Rooftop development (at parking deck)
22. Residential added to downtown
23. Enhance and encourage pedestrian traffic through landscape and amenities
24. Vacant lots for infill green space
25. Post Office art district
26. Theater Martini / performance center
27. Build/establish an Arts College (like Savannah College of Art & Design)
28. Green Space / cultural garden
29. Use existing churches for civic events
30. Increase signage to draw west end to downtown
31. Downtown moody gardens shuttle to downtown, Casinos
32. Connection to beach and others
33. Student housing
34. Redevelopment of land use (homes)
35. Connect to UTMB

DOWNTOWN: CHALLENGES PUBLIC INPUT MAP

1. Lack of shuttle to downtown for cruise customers, no port of call for Galveston
2. Walkway from downtown to harbor
3. Lack of nearby grocery stores, drug stores
4. Lack of boardwalk / greenway along waterfront
5. Need for a management district
6. Need to create a more inviting 25th Street entrance to downtown via Harborside
7. Harborside is a barrier to bay from downtown
8. Need services for residents & cruise ship personnel
9. Lack of public restrooms for visitors
10. Need to blend infill buildings with historic downtown architecture
11. Need to aggressively seek new business / need for a development authority
12. Urban blight / undeveloped empty lots
13. Need to create pedestrian-friendly sidewalks and bike trails
14. Lack of transportation options from Moody Gardens and Seawall hotels
15. Lack of density
16. Fix: medical arts building, maritime theater, Jean Lafitte Hotel, Spaghetti warehouse
17. Need a parking plan; promote off-street parking, for longer duration leaving street parking for short term
18. Lack of green spaces
19. Innovation of ideas - overcoming the “old school” mentality
20. Market Street is a pedestrian barrier
21. Lack of bike lanes
22. Old dilapidated buildings requiring demolition
23. Downtown jail
24. Gutters, sidewalks, alleys
25. Transportation to and from UTMB
26. Redevelopment of land use; resolve housing for indigent / homeless but not at present location
27. Salvation army; get rid of “pocket parks”
28. Longer store hours to draw visitors to spend more time in downtown
29. Safety - more police presence / community policing
30. Need to beautify and make North-South connections green, connect downtown to various places

DOWNTOWN: SURVEY & QUESTIONNAIRE

WHAT ROLE DO YOU SEE THE DOWNTOWN SERVING FOR THE ISLAND AND THE REGION?

Galveston Aerial View (Current Day)

- Heart of the island where everyone goes when they're done at the beach. Connected hub of Galveston with retail, entertainment, eating venues of all backgrounds
- I see it as a tourist destination and as a resident entertainment area
- Exciting living space for full time residents
- Economic heartbeat – center, entertainment district
- Positive identity, entertainment and retail, mixed-use commercial and residential
- Downtown should be the heart of Galveston, a place to live, dine, visit museums, shop, etc.
- Bring more residents to downtown, keep it clean and green friendly
- Increased economic center
- To serve as the center of Galveston where the community goes to eat, drink, play, shop, and get business and service
- A further restoration as the focal point for Galvestonians, a stronger residential component (reuse of vacant structures first) a popular tourist destination
- It should be the center of all things, only downtown can span commercial, residential, educational, tourism, to a large degree in each area
- All self contained and walkable, Downtown is the heart of Galveston
- A 1st home community, with each connection to employment on Island and mainland
- Walkable city, WiFi, lifestyle and entertainment
- Sales tax hub, retail giant, prime example of return to urban lifestyle
- Island: as a community green area and social area and shopping, region: A historical and social center point
- Community anchor like "The Bean" in Chicago (Millenium Park). Place for everyone to gather, tourist and residents
- Not in competition with the sea wall. The two areas should have their own roles.

WHAT KIND OF COMMUNITY CHARACTER WOULD YOU LIKE TO SEE EXPRESSED IN THE DOWNTOWN?

Galveston Opera House

- Walkable, mixed-use (newsstands, places to eat, artist influence and presence) cultural stuff, music green space, trees; preserved architecture, public transportation (trolleys, people on bikes, skateboards etc...)
- Mixed-use, historic, connected, upscale restaurants and shops, outdoor shopping kiosks
- Historic with active community, more events, ongoing concerts
- Pride in Galveston history and creating exciting areas to visit and live
- A green-minded urban area, heavy pedestrian and bike traffic, you should never want to leave once you come here

» Vibrant, quality area for living shopping and being entertained

» Continuation of existing character, reinforce the urban fabric, mid-sized (3-4 story) masonry buildings, built to lot lines, structured parking with first floor uses

» Residents and regular visitors (on-island and off) providing street life dawn to midnight or beyond. Strongest preservation of the architectural heritage, sympathetic infill

» Retaining the historic fabric and offering something for everyone 365/24/7

Millenium Park (Chicago, Illinois)

» Creative, cultural, sustainable, appreciative of our history

» Environmentally friendly

» Clean, architecturally striking, first class

» I love the old historical, but would love to see more high contemporary or above grade architecture

» I really enjoy the eccentric/artist theme and I think it should be embraced and encouraged

» Urban residential with all services in walking distance, secure movement at night is essential

IN A MIXED-USE DOWNTOWN, WHAT TYPES OF USES WOULD YOU LIKE TO SEE INCLUDED (WHAT EXCLUDED)?

» All kinds but less industrial type warehouse structures and bars, at least a few anchor stores (Pottery Barn, Urban Outfitters, etc...), maybe art/culture related business influence.

» Art or cooking schools, grocery stores, cleaners, local and corporate retail mix, schools, government office, daily news offices, all types except heavy manufacturing

» Control # of bars to encourage residential, restaurant/retail, office zones businesses, entertainment

» Movie theater, more music, more parking, weddings, outdoors

» Exclude bars that only serve alcohol and contain loud music (keep doors closed)

» Dry cleaner, grocery store, first floor restaurants, shops and other floor for lofts

» Better marketing of Opera House, more live music and public concerts

» Public parks combined with living and shopping

» All types of uses should be included, building form and historic preservation is more important than uses

» Artist habitat area to exchange creating ideas, more varied retail and better transportation planning

» Housing, expansion of the gallery, café, museum, theatre scene. Minimal reliance on national chain restaurants and sleaze

» Have alley stores, focus on entertainment on Strand, private

» Exclude sexually oriented businesses, prisons, and industrial

» No services for homeless/disadvantaged, Open to the public

» Limit institutional uses, as UTMB has plenty to fill that use. Private retail, services okay along with government

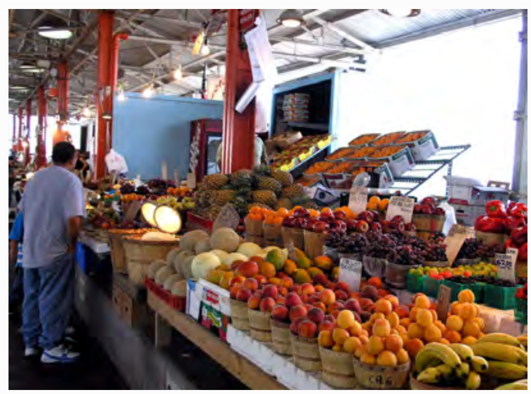
Waterfront restaurants & Retail

AS AN ACTIVE WATERFRONT DISTRICT, WHAT ACTIVITIES WOULD YOU LIKE TO SEE?

- Programmed waterfront and downtown activity – fisherman's market (pier 19)
- Concerts and exhibits in Saengerfast park, bring back the Martine theater for movies
- Live music, festivals, smaller gathering for movie nights
- More events like Artwalk and farmers market, Longer hours for shopping and eating
- A safe gathering place, the more the merrier, more night life, less fenced-in charges for entrance
- Close streets for bicycles on regular basis (2x month), Outside organic market, weekend local art sales
- City events with major sponsors, parades, markets, walking tours, concerts

WHAT COULD BE DONE TO ENHANCE DOWNTOWN AS A TOURISM DESTINATION?

- Better access, and connectivity, wayfinding, advertising of events, amenities, enhance and promote waterfront and entertainment
- Bike friendly, walk friendly, easy parking, better parking lots with security
- Greater density, more mixed-use, planned parking structure above retail
- Parking lots such as they have in Hot Springs, Arkansas Historic District - one for each block
- Regulate parking, no $17 green parking tickets, clean up streets and Harborside Drive parking
- More events and ongoing activities, free public transportation (to promote tourist connectivity to Downtown)
- Repair sidewalks and curbs, use brick (pavers) for surfaces
- Better shops, better infrastructure, good parking solution, more green space
- More community or borough feel, corner stores and grocery areas, better parking for residents
- Secure clean, visually appealing, tourist shuttle from beach/hotels, and security
- More hotels, all stores retail and restaurants need to stay open longer for an evening atmosphere,
- Public bathrooms
- Better quality retail on Strand - too many tee shirt shops, better connection between Strand and Post Office Steet, Lighting, visual marketing space, increase in retail core
- Become a cars-optional, climate show case, remove panhandlers



Farmers' Market, Dallas, Texas

WHAT COULD BE DONE TO ENHANCE DOWNTOWN FOR THE RESIDENTS OF GALVESTON?

- Grocery and drug stores, downtown farmers market, more trees, bike racks, sidewalks, attract more anchor retail stores, parking strategy
- Services, control # and location of bars
- Safety - police 24 hours on horse back, clean streets for walking, bicycling
- Outdoor dining, live music performances, events, affordable lofts
- We need a green space like central park in New York, a place to have outdoor theater, dog area for residents, picnic area, concerts
- Resident parking pass, better security

- More living infrastructure
- Dog parks, bike lanes or signs, pedestrian right of way signs, fresh produce market and chef stores
- Address homeless/transit issues, encourage artist to live and sale in area, better landscaping and clean up abandoned buildings
- More full-time residents in downtown. Too many condos own 2nd homes which don't provide same benefits to area as full time residents - people on streets demand retail and service
- Better parking and other neighborhood services within walking distance
- Decrease in port pollution and provide parking that is safe and accessible


Revitalized Retail Streets

WHAT TYPES OF NEW OUTDOOR CIVIC SPACES ARE NEEDED IN DOWNTOWN?

- Community park, farmer's market, outdoor amphitheater
- Green parks, outdoor music
- Connect to Waterfront, Fish/farmers market @ pier 19 shrimp fleet, like Pike's Market in Seattle, with fountain shade trees
- More benches, water features, more parks, more shade
- More outdoor tables with restaurants to create pedestrian atmosphere, parks
- Fountains, canopies, trees, table and umbrellas
- Let's be green and recycle
- Downtown has parks and squares, focus on infill of market lots
- Artist work spaces on waterfront like Torpedo Factory in Alexandria, Virginia
- Downtown garden, artists on streets, amphitheater
- Dog parks, no kid parks, prefer living to be mostly adult - not safe for kids

WHAT SHOULD BE DONE TO INCREASE CONNECTIVITY?

- Improve streets, tear down (dilapidated buildings), code enforcement, way finding, banners on streets, (public) transportation downtown that is reliable and consistent
- Transportation that runs on a schedule, often, no trolley
- Waterfront boardwalk legible connections, slow traffic, narrow Harborside, eliminate cargo traffic connect to downtown trolley to UTMB up 6th street to beach, East to Apfel Park
- Bus and trolley systems operate longer hours in the evening, identify each area with signage, etc...
- More trolley availability, City curb and green space improvements
- Rail service, train (faster), commuter rail, affordable and dependable transit system, consistent service
- Sidewalks everywhere and restored, streetscapes
- Traffic improvements, pedestrian improvements, Reduce speed on Harborside
- Something on the order of the Post development (Boulevard Place?) in midtown Houston
- Bring Trolley back, and connection to rail to Houston, better shuttle system


City Pocket Park

» Free, clean-fuel buses, trolley on wheels, not tracks

» Re-develop GHA space into private ownership, connect UTMB to Downtown

Historic Rail

WHAT SORT OF TRANSIT OPTIONS OR IMPROVEMENTS SHOULD BE MADE IN THE DOWNTOWN AREA?

» Easy to find/ride, don't stop ferries at 5 pm, reliable schedule

» No trolley unless just downtown

» High speed rail, downtown transit terminal at UTMB to beach up 6th street to East End Lagoon, Apfel Park

» Enhance accessibility to other retail, entertainment areas

» Bicycles – rent by the hour check out and return each

» Bicycle and racks/ trolleys, a means to get from downtown to harbor

» Better bus route maps available for residents and tourists (use what we have)

» Improved crosswalk visibility/use (walk signs?) Water taxi to Pelican Island, ferry landing could be good if faster than driving, extended bus/trolley hours for bar crowd/common signage for public parking

» Parking permits for downtown residents only on numbered streets

» Rail to and from Houston

» Put the trolley back in service, run on set, dependable schedule, increase speed to use as public transportation not just as a tourist attraction

» Use the trolley for local commuting tie to the Houston train, if that materializes, water taxies could be a draw, as at The Woodlands

» Shuttle system to centralized parking areas, then connecting to (high speed) rail to Houston

» Sidewalks that are smooth and easy to walk on. A bike lane with bike racks at multiple locations

COMMENTS AND SUGGESTIONS

» Trolley loses money, less noise/whistle

» Do not need parking

» Increase hours of operation, daytime/weekend events small energetic, shuttles from hotel and cruise drop off

» Alleys need to be cleaned up for pedestrian traffic

» Visitors and Residents should not compete for the same parking spaces, plan parking into residential infill, bring grid back to 20th street

» Parking structures above retail service

» Preserve north/south street views to waterfront

» Focus on beautification, safety, become business friendly, signage, banners

» Keep historic buildings at all reasonable cost, prevent abandoned buildings, force owners to sell if building is unused for x time period

» Rebuild "Old Port Industrial" as true port entrance, to take truck traffic off Harbor side for 57th Street entrance

» For 14th Street, designate 25th – 14th street as "no trucks", shunt trucks to 12th via Broadway

» Commuter rail, express to Downtown, Houston, one stop at Webster/CC

» Local (transportation) to Texas City, Santa Fe, Dickinson, … up U.S. 45 to (Exit) 8, at least

- Comprehensive Island Tourist Advertising, but also Historic Galveston as a unique destination and Beach Galveston as separate destination
- Fix street lights
- Expand the use of historic districts, Galveston landmark program, and neighborhood conservation districts to promote quality design
- We need to promote Galveston as a desirable retirement or alternative to large city/urban living
- Connect Houston to Galveston via Rail
- Study the vacancy of land and building before infill
- Connection from beach to bay
- Look at tax credit for mid-income people to buy property - don't price out middle income people looking to live in a vibrant downtown. Art culture district incentive - more focus on pulling harbor and downtown together
- Bike rack issue is huge, and need racks on buses, signage - color coded to use and visual market, business improvement district where all the merchants contribute, and beautification
- Look at area where magnolia is being torn down as area to connect UTMB and Downtown
- Clean up the warehouses to lofts, offices, and restaurants
- Landscape streets, parking off the streets and out of sight
- Don't define ourselves as a hurricane
- Continue brick pedestrian crossing through the downtown to indicate entry and exit to and from the district
- Shuttle for Moody Gardens and Hotels
- Pursue a port of call
- Clean out all service lines, that are full of the sediment from Sept. 13, 2008 hurricane, before a heavy rain floods downtown again
- Complete the downtown paving project: 20th to 25th street, Harborside to Church St.
- The plan must address the alley spaces regarding clean-up, safety, lack of any beauty, etc... they are problematic but necessary, need to clean them

HISTORIC DOWNTOWN: EXISTING CONDITIONS

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Appendix II
Public Workshop Input Report: Day Two — Waterfront

Prepared for:
The Historic Downtown Strand & Seaport Partnership

Prepared by:
H&A Architects & Engineers (Formerly CMSS Architects)

Ewert & Company, LLC

October 2009

ACKNOWLEDGMENTS

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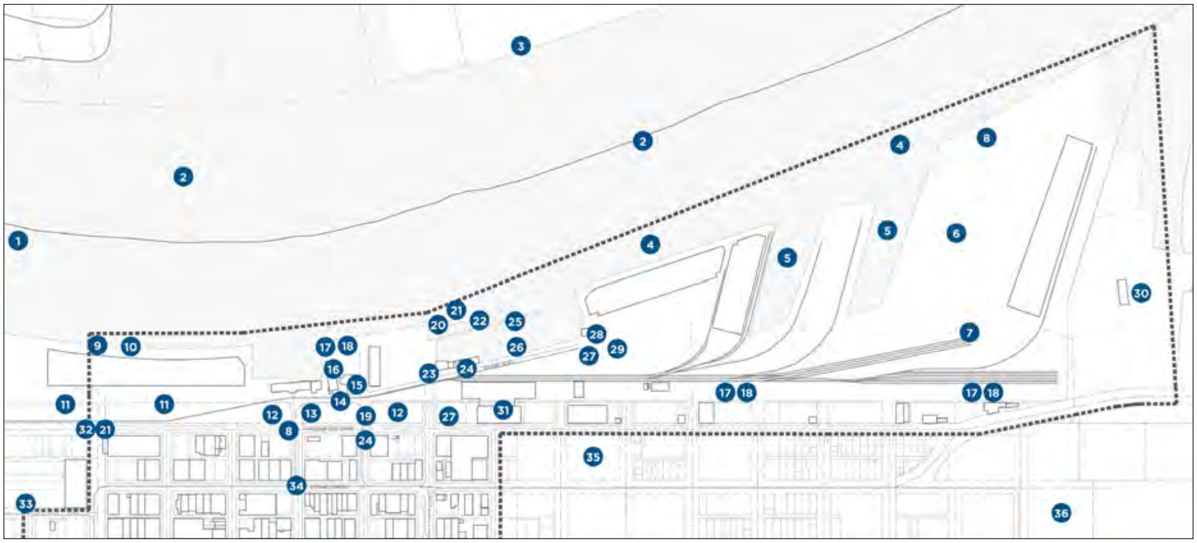


1. Repair or build new bridge to Pelican Island
2. Water Taxi / Ferry to Seawolf Park, and Texas A&M
3. Potential for increased port activity at Pelican Island
4. Strengthen working ports
5. Fill in area for added space for port storage
6. Potential unused, undeveloped land
7. Potential location for mixed-used condos
8. Rearrange land-use (minimize railroad and truck traffic)
9. Establish Galveston as a Port of Call destination
10. Upgrade cruise ship terminal facilities to increase potential retail sales
11. Infill space between cruise ship terminal and Harborside Drive
12. Water connection to other ports
13. Develop our own Mallory Street, like Key West, Florida
14. Potential location for public toilets
15. Expand Pier 21 as a retail / entertainment area
16. Expand the Marina
17. Develop the Waterfront as an entertainment / recreation district
18. Create a boardwalk along the waterfront linking the Downtown historic district with UTMB
19. Develop vacant land into public green space
20. Streetscapes / public seating to view harbor activity
21. Possible location for crossovers for connectivity
22. Potential marina
23. Redevelop restaurants / retail at Joe's Crab Shack location
24. Expand sidewalks along Harborside Drive to make it more pedestrian friendly
25. Sunset watching location
26. Potential location for Farmer's Market or Fish Market
27. Possible location for a parking deck or public green space
28. Possible location for higher density residential development
29. Embarcadero-type green belt
30. Possible marina-UTMB, parks, restaurants, green space, etc.
31. Additional hotel space with surface parking
32. Elevate Harborside drive to allow pedestrian connection through to waterfront
33. Elevated parking structure where existing surface parking is located
34. Proximity to historic downtown
35. Customs house restoration; jobs incubator
36. UTMB investments

WATERFRONT: CHALLENGES PUBLIC INPUT MAP

1. Pelican Island Bridge
2. Legislation required for exemption to Jones Act in order for Galveston to become a Port of Call
3. Crumbling city infrastructure
4. Need for beautification and code enforcement; need to revise codes/zoning laws to facilitate development
5. Development of waterside property without infringing on existing port industry; keeping Del Monte and Pier 10 as working ports
6. Attracting investment; stakeholder cooperation; and municipal leadership
7. Identifying available areas for development of hotels, entertainment and retail
8. Lack of an attractive entrance “gateway” to waterfront / Harborside from I-45
9. Lack of directional signage along Harborside Drive from I-45
10. Drainage problems on Harborside Drive
11. Lack of a grand entryway from the cruise ship terminal, no sense of arrival
12. Lack of wayfinding signage directing pedestrians to Strand and Post Office districts
13. Need for transportation options (trolley, bus) for cruise ship passengers to Strand
14. Railroad tracks create an obstacle; barrier preventing pedestrian connection from waterfront area to the Downtown historic district
15. Lack of connection of Pier 19 hotel and restaurants with Downtown district
16. Insufficient crosswalks & sidewalks along Harborside Drive
17. Lack of parking
18. Lack of green space
19. Lack of inviting retail facilities along Harborside Drive
20. Need for flood mitigation strategy
21. Difficulty in relocating existing structures that might hinder a redevelopment of the waterfront
22. Lack of transportation options to connect the Waterfront and Downtown with other tourist attractions (i.e. Moody Gardens, Shlitterbahn water park, seawall hotels)
23. Lack of retail services for residents (i.e. grocery stores, drug stores)

WATERFRONT: SURVEY & QUESTIONNAIRE

WHAT ROLE DO YOU SEE THE WATERFRONT SERVING FOR THE ISLAND AND THE REGION?

Waterfront Harbor and Marina Opportunities

- Jobs - economic tourism, show off our "working port" - like a working lunch
- Consistence in growth of the Port of Galveston while building the waterfront as a viable national attraction
- As a port generating commerce, with tourism-oriented business, where not inconsistent with maritime development
- Economic engine, destination for Texas and region
- Social, economic, lifestyle, Galveston has a special relationship to its waterfronts. Redevelopment needs to enhance it
- The role of multipronged hub, slips for boating for visitors coming in from the bay, walkable space for residents, tourist, cruise ship passengers, availability of bike lanes, trolley and train service
- Big attraction - income for city
- Industry mixed with a visitor and resident friendly harbor
- Create an image of Galveston as a seaport and promote public resource of it,
- Greenbelt like Austin Shoals Creek Greenbelt for walking dogs, jogging, strolling from shops to restaurants to entertainment centers
- Portions industrial, portions social/recreational
- Port-of-Call, Travel back and forth to New Orleans
- Entertainment district
- Embarcadero (San Francisco), connect us with Pelican Island, New Orleans, exchange tourist with sister cities, Mexico, Japan, pier retail and entertainment
- I see waterfront playing a key role in brining back middle income jobs and families to the island
- Galveston's industrial lifeline, jobs with premium wages, income, healthcare and retirement
- Economic drivers, identity for island, activity hub for locals and tourists

WHAT KIND OF COMMUNITY CHARACTER WOULD YOU LIKE TO SEE EXPRESSED AT THE WATERFRONT?

- Get up early, stay up late, Maritime state of the art facilities, Economic vibrancy
- More connection with Downtown and UTMB, Open out looking
- Harbor walk or fisherman's wharf feel, One that oozes maritime ambiance
- Traditional early 20th century sea port feel areas designated for that purpose
- Pocket parks for viewing boat docks for small boats restaurants places to live boardwalk
- Family oriented activities green space and art space, Family and fun / solar powered lights

Parking Availability & Options

» Expand marina, hotel rooms/condos/restaurants, shops, entertainment complex, open air bay
» Something like the market in Seattle's Downtown Pike's place market (www.pikeplacemarket.org)
» cross between Battery Park in NY and SF
» Jewel of a multipurpose community that is alive 24 hours a day and has spectacular water views and ship watching
» Historic, Industrial, Interpret history of Galveston, development of port
» The port has provided a livable income for the working classes
» Focus on working waterfront, shrimp fleet, oil service, cargo on Pelican Island, rich mixed-use architecture character
» Low-rise (except condo) should refer to historic but not copy, interpret history of waterfront

WHAT TYPES OF NEW BUILDINGS/USES WOULD YOU LIKE TO SEE INCLUDED AT THE WATERFRONT?

» Container terminal on Pelican island, hotel and entertainment venues for Galveston Island
» A world class marina for power boats and sailboats, Promotion of the port of Galveston
» Destination of entertainment added housing, rental and condo
» Park space, tourism, Wharfs and even riverside mall
» Where space available, a small outdoor amphitheater, public restaurants
» Housing, shops, restaurants, look of buildings should be close to old structures that were on water before
» Retail, restaurants low rise (2-3 stories) residential with retail below
» Get parking lots out and provide more parking structures in convenient areas
» Elevate Harborside - make it easier to get to the other side,

Outdoor Dining & Street Retail

» No fast food near downtown, mixture of housing, hotel retail, restaurants and amusement
» Educational facilities, interactive centers to help citizens and tourists understand the way people live
» Convert abandoned warehouses to condos and retail
» All kinds, lively mix, but keep the foot prints small, grid is the predominant "grain"
» No new buildings, fix existing warehouses
» New construction should be limited to those areas already in use directly across from downtown. No high-rises. Keep Galveston homes and low profile
» Residential, midrise condo, worker housing, do not block views down street, viewing areas, boardwalks, restaurants, mixed-use low rise
» limit to zone keep overall building density low, focus on water, Historic working port architecture, reference, do not copy

AS AN ACTIVE WATERFRONT DISTRICT, WHAT ACTIVITIES WOULD YOU LIKE TO SEE?

» Concert events - art & film festivals, Promote cruise ship and integrate it into Downtown
» Music venue movie options added retail added restaurants

» Diverse cultural, educational, and entertainment
» More live music, allow if not encourage street musicians
» Small events, Art events, multi-cultural events, More night time activities
» Include the port as an integral part of Galveston for residents and tourists
» Kemah Boardwalk, Galveston version
» Ad campaign - after everything is in place, enhancing
» Need active street frontages, retail, restaurants, cultural, etc...
» Industrial use of the port, Not a cheap amusement park
» Pier 19 Fisherman's market, like Pikes Market (Seattle), shrimp off the boat to open air market, restaurants, boardwalks live entertainment

Pedestrian-Friendly Development

WHAT COULD BE DONE TO ENHANCE WATERFRONT AS A TOURISM DESTINATION?

» Music, restaurants
» More excellent restaurants - shops, world class marina
» Federal security requires card security in most areas
» Added hotel right on the water, exterior fountain and park space
» Green space
» Flagship retail venue
» Clean up, more people friendly small shops
» Encourage businesses along port and Harborside to beautify
» Join to Strand area
» Advertise the "waterfront" area - who knows we have a waterfront, only a beach
» Better signage, pedestrian friendly when crossing Harborside
» Make it more accessible
» Public greenbelt for walking, public restrooms, native plant landscaping, bike lanes and maybe a Mellow Johnny's (Lance Armstrong store that also serves as a biking commuter hub)
» Kemah Boardwalk, Galveston version
» Need a pedestrian or boardwalk along water's edge with connectors to street grid
» Carnival amusement rides, roller coasters
» There are enough tourist destinations on the island, the waterfront needs to provide jobs
» Legible enhanced connectivity, bring in tall ships on a regular basis to pier 21 apron, mixed-use entertainment connectivity along waterfront and to downtown
» Re-design Texas seaport museum, orient Elissa for better visibility, history

Alternate Modes of Transportation

WHAT COULD BE DONE TO ENHANCE THE WATERFRONT FOR THE RESIDENTS OF GALVESTON?

- Free up some areas for public space
- Resident paid parking passes and or lots with transportation to the waterfront
- A waterfront boardwalk from pier 22 to 19 now, then expand to pier 10 in the future, 18 & 17 to be 2nd phase
- Build flood protection
- Public spaces in some areas boardwalks and green space
- Biking, walkways, restrooms, seating areas, bike rentals
- Encourage businesses along port and Harborside to beautify
- Find way to connect both sides of Harborside - how about a raised roadway for the traffic
- Make port look better from a street view
- More jobs both port related and tourism friendly
- Greenbelt and green space and parks and grocery , parking garages
- Shouldn't be a destination - residents and tourists are attracted to same amenities
- Park, playground options, trails
- Increase cargo areas to create more premium jobs and benefits for working families
- Legible enhanced connectivity, mixed-use residential, restaurant, retail service, focus on working port activity and history
- Interpret history through port activities across ship channel

Pocket Parks & Open Civic Spaces

WHAT TYPES OF NEW OUTDOOR CIVIC SPACES ARE NEEDED AT THE WATERFRONT?

- Entertainment venues, Park promenade, Amphitheater
- Bus stops with benches covered, specific transports to the waterfronts
- Existing retail area requires more active investment by MBT and others
- Add boat slips for residents and for visitors with boat and yachts
- Access to waterfront in some areas, boardwalk
- More activity, pocket parks, lighting, 3 or 4 miles of biking/walking along port
- Taxi landings at the ferry, Seawolf park ,and Texas A&M (on Pelican Island)
- Outdoor amphitheater - maybe a small conference center
- Open air concert venue and pubs cafes and shops, No more needed, we can't fill the ones we have now
- Need occasional focal point but streets should be quality open space
- There are so many undeveloped areas on Galveston's East End
- Open areas like pier 21 apron for spontaneous and programmed activities like Duval Street in Key West and Pikes Market in Seattle

WHAT SHOULD BE DONE TO INCREASE CONNECTIVITY?

Light Rail Opportunities

- Water taxis, transit, light rail, restore the trolley, regular timely trolley service
- Promote cruises; integrate paving on both sides of Harborview
- Walk over, Harborside Drive or reduce speed limits add walkable green areas
- Clean directional signs, mass transit is doubtful in Texas - doesn't seem to work well
- Dependable trolley, buses with well-published schedule and routes
- Walkways bike and walking trails, clean up and make safer, larger sidewalks and bike tracks
- Beautify the cross streets and main streets (including drainage)
- Fast rail system or trolley (faster than current)
- Protect pedestrian and provide safe walk and bicycle paths
- More extensive trolley line, create a nice landscaped greenbelt on 25th street to connect downtown and seawall. This greenbelt could be located inside the median of 25th street and have benches, lantern lighting, native plant landscaping and a bus/trolley stop mid-way between
- Reinforce streets; fill in open space and parking lots
- Extend trolley from UTMB up 6th street to beach, park, east end lagoon park, and back
- Modify Harborside to facilitate connection to downtown, water taxi to Moody Gardens

WHAT SORT OF TRANSIT OPTIONS OR IMPROVEMENTS SHOULD BE MADE AVAILABLE AT THE WATERFRONT AREA?

- None, trolley system is not worth restoring. Streets need improvements meters need to be restored
- Water taxis over to Seawolf Park
- walking train, light rail, water and transport, Restore the trolley, Rubber wheel trolley
- The trolley may not make money, but they are tour attractions that help keep people in town
- Taxi landings at the ferry, Seawolf park ,and Texas A&M (on Pelican Island)
- Loading, unloading parking spots, designated taxi locations, downtown and harbor trolley or faster transit system
- Adequate transportation to and from Houston, More extensive trolley and lots of bike lanes
- Encourage all manner of alternatives to car driving for residents and tourist and parking strategies to encourage people to leave the streets uncongested for commercial vehicles
- Green buildings, recycling, trash containers
- Bring interurban transportation from the mainland connect the flats and beachfront
- Waterfront boardwalk connecting all amenities, accessible views to ship channel, traffic. Make trolley reliable public transit not tourist attraction
- Connect waterfront to downtown , slow traffic, crosswalks, narrow Harborside, eliminate cargo street rail traffic

Baton Rouge, Lousiana Waterfront

COMMENTS AND SUGGESTIONS

- Restaurants and shops with docks for all of the boats from the new world class marina
- Need to get rid of housing developments between Downtown and UTMB and develop residential and Mixed-use on both sides of Harborside
- Relocate Ellisa so it is at the end of the street or more visible to everyone. Look at stopping the train west of pier 25 in the future, when pier 10-18 business is moved west or over to Pelican Island. This would all cut trucking traffic on Harborside
- Don't displace the Mosquito Fleet
- Galveston needs jobs, jobs and more jobs
- Elevate Harborside and Downtown, People have boats - sail boat races
- First - light up area so all people feel safe in area
- Current trolley is too slow, Outdoor amphitheater where concerts could be held would be ideal. Expanded hotel and marina lots at harbor house. Condo mixed-use development on available or abandoned property
- We need parking garages near transportation hubs near train rail trolley/bus
- Retail on first floor, business/living on upper floors
- Increased nightlife and restaurant activity, arrival gateway
- Waterfront to the strand historic district consider pedestrian bridges
- Residents like the same thing as tourists
- Galveston does not need more high-end housing/condos. It needs jobs. The reason people don't live here has nothing to do with needing waterfront condos but is related to crime, poor schools, lack of job opportunities and lack of affordable housing
- Kiosk advertising at the cruise line
- Trade with UTMB to put hotels and condos into the Lipton Tea Buildings, and parking lots to give views of Mosquito Fleet
- Partner with cruise lines to get more marketing, also build affordable but charming hotels where right now we have parking lots
- Work on the historic importance of the waterfront

Art Walk & Outdoor Activities

- Trolley should be free, and drivers provide travel logs like in Dallas where the trolley drivers are volunteers
- Transit and transportation to allow closing off streets to make them completely pedestrian, constant loop fun and easy to ride
- Galveston appears to be anti-landscaping. Landscaping along the waterfront must be part of the overall enhancement project. From marketing and demand part of the equation, the waterfront area will have a lot better chance of attracting investors and money for its success than the downtown area. Success of improvements to the waterfront then will spill over to the downtown area. Planning ahead and facilitating promoting will go a long way to make this successful.
- Keep all north/south streets open to waterfront view, do not block with new development
- Remove cargo from Del Monte East in the congrun, replace with mixed-use plan and schedule cargo on Pelican and west of cruise ship terminal
- Light rail - public transit to relieve traffic on Harborside
- Bicycle path: downtown, UTMB, 6th street to seawall, along top of East End dike to Apfel Park and east end lagoon park

SYNOPSIS

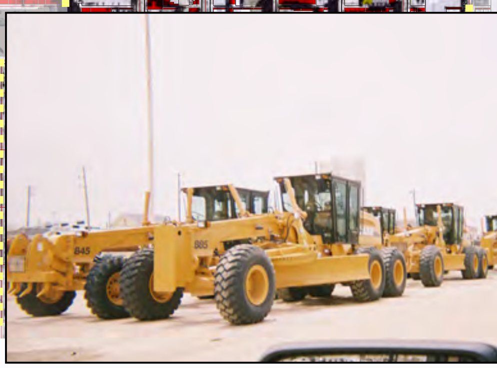
» Amphitheater / open air theater entertainment venues
» Downtown as connection hub to other areas of Galveston (beach, UTMB, Moody Gardens, etc.)
» Walkable, mixed-use, restaurants, upscale retail
» Cultural opportunities (art or cooking school)
» Economic Development Authority and advertising campaign events promotions
» Fun, fast, reliable, convenient public transit system
» Alleyway improvements, Street beautification
» Public restrooms – possibly combined with recreational hub (ala lance Armstrong's Mellow Johnny's)
» Wayfinding – cohesive signage strategy (brick roads)
» Parking – coherent parking strategy and convenient system for both residents and visitors
» Reintroduce street grid at 20th street
» Fountain and trees – green space, shaded benches (cool zones)
» Improve cruise terminal and tourist experience, Harborside drive
» Safety issues, Outdoor dining , Water taxi (The Woodlands)
» Retail to support residents (grocery, drugs, etc.)
» Promote Strand as a retail District/Post Office as an entertainment/nightlife district
» Parks (dog walking areas), 19th St. and Post Office
» Trolley service between UTMB and cruise terminals critical
» Housing at East End (Flats)
» Cynthia Wood Mitchell pavilion, Pike's Market (Seattle), upscale grocery store (like Whole Foods or Trader Joe's), The Post (Houston), "The Bean" (Chicago) are seen as models to be emulated
» Art walk, festivals, Cooperation of stakeholders
» Parking decks integrated into the buildings (example: Charleston, Francis Marion)
» Accessibility for H.C.
» Student housing
» Cooperative marketing strategy between Downtown, Moody Gardens, ...

WATERFRONT ACCESS TO CITY

HISTORIC RAIL

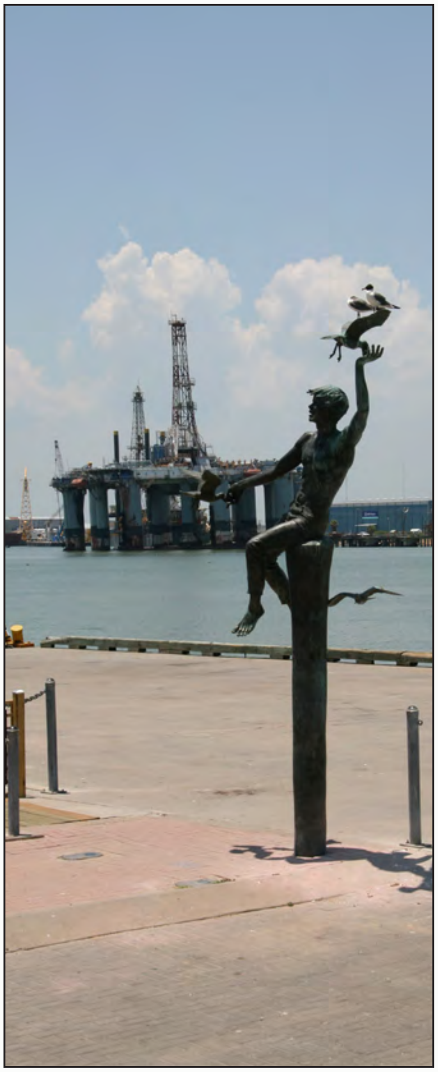
WATERFRONT: AERIAL VIEWS

CURRENT CONDITIONS: WORKING PORT

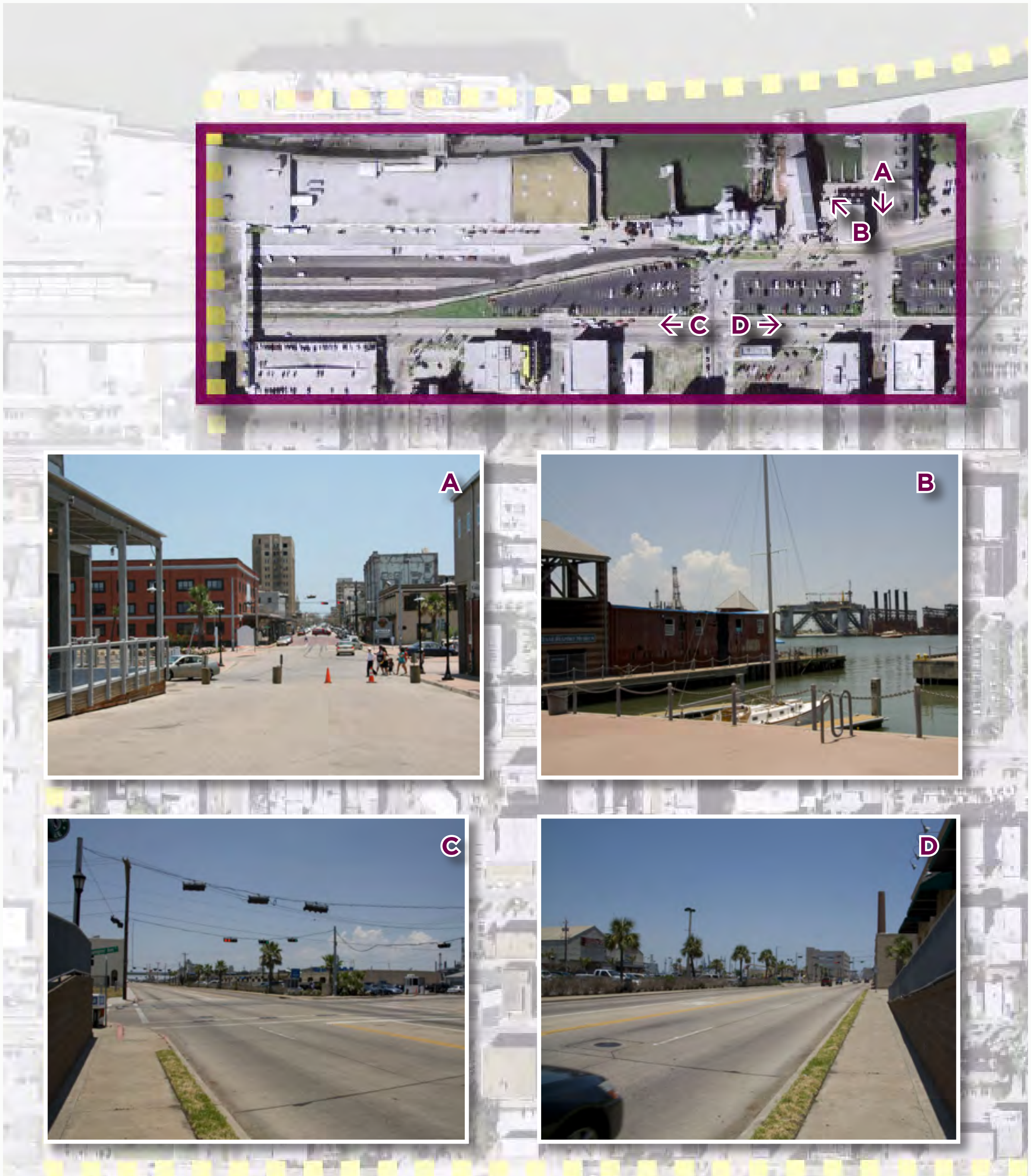


CURRENT CONDITIONS: WORKING PORT & TOURISM

CURRENT CONDITIONS: WATERFRONT ENTERTAINMENT

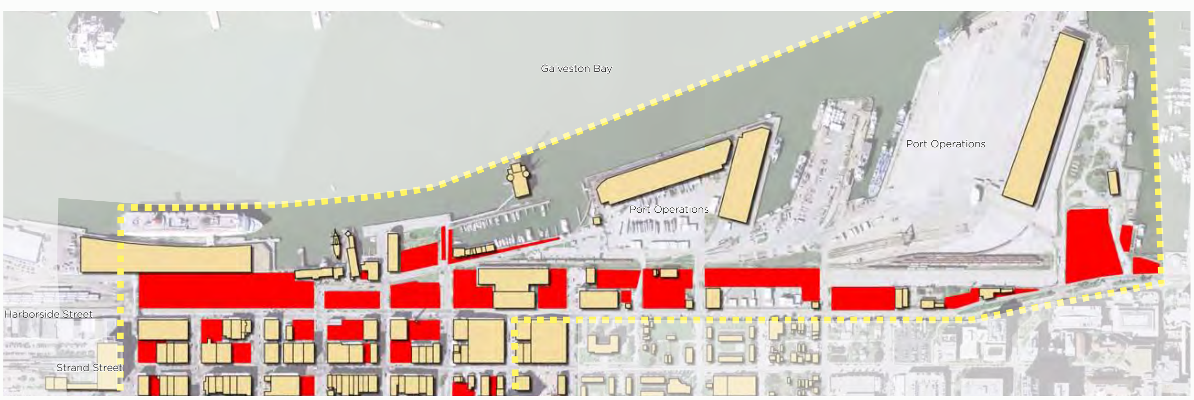


CURRENT CONDITIONS: HARBORSIDE



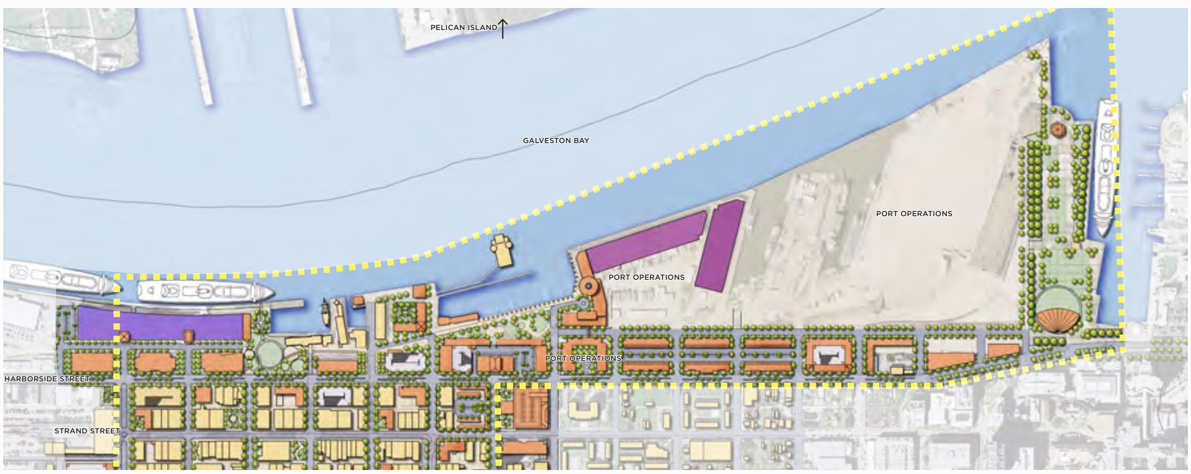
CURRENT CONDITIONS: MARINA

CURRENT CONDITIONS: EXISTING PARKING LOTS



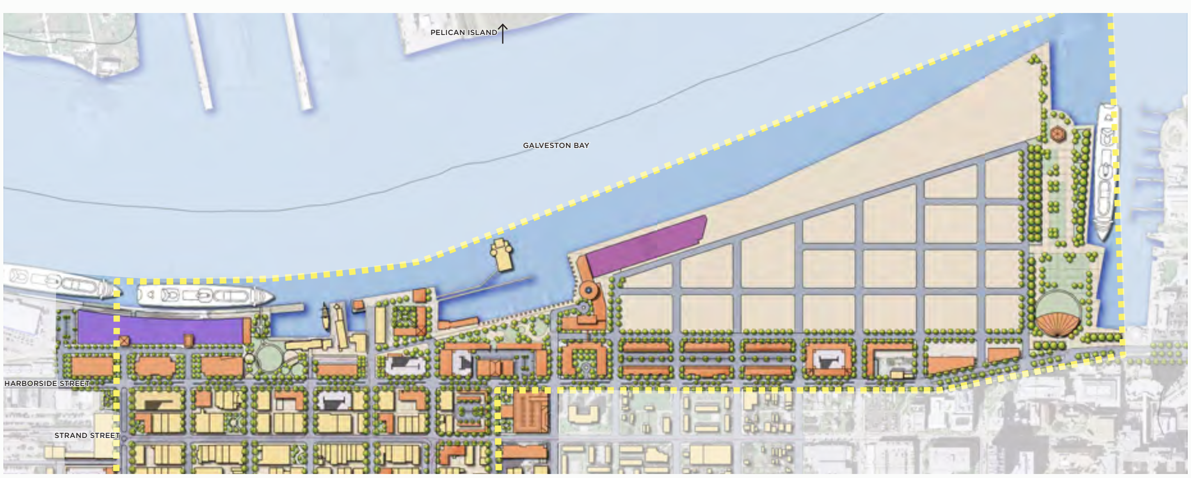
DRAFT MASTERPLAN WITH RAIL LINES

DRAFT MASTERPLAN WITHOUT RAIL LINES



POTENTIAL FUTURE EXPANSION OF DOWNTOWN SEAPORT

2030 PLAN (IF PORT OPERATION WERE EVER RELOCATED)



SEAPORT AMENITIES

Appendix III
Excerpts from Galveston Historic Downtown Seaport Approved Master Plan

Prepared For:

Historic Downtown
Strand Seaport Partnership

Prepared By:

H&A Architects & Engineers
(Formerly CMSS Architects)

Ewert & Company

November 2010

ACKNOWLEDGMENTS

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Steve LeBlanc .... City Manager
Paula Ozymy .... Assistant City Manager
Wendy O'Donohoe .... Director of Planning & Community Development
Lori Schwarz .... Planning Division Head / Historic Preservation Officer
Susie Green .... City Attorney

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H.B. Ewert .... President

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Dave Warwick .... Architectural Illustrator
Scott Wertz .... Architectural Illustrator
TJ Blanchflower .... Senior Graphic Designer
Elizabeth Stalica .... Graphic Designer

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Doug Rogers .... Waverly Holding Company
Mike Doherty .... President, Sealy & Smith Foundation
Myles Shelton .... President, Galveson College

RECOMMENDED DOWNTOWN PUBLIC INVESTMENT

1	Harborside Drive Improvements	$ 4.5 MILLION
2	Waterfront Parks & Promenade	$ 9.0 MILLION
3	Downtown Parks	$ 5.5 MILLION
4	Waterfront Festival Park	$ 13.0 MILLION
5	Downtown Streetscapes & Wayfinding (6 Primary streets, 6 blocks each)	$ 6.9 MILLION
6	Land Acquisition for Anchor Development	$ 4.0 MILLION
7	Parking Structure #1 (With Land Acquisition)	$ 9.0 MILLION
8	Parking Structure #2 (With Land Acquisition)	$ 9.0 MILLION
9	Parking Structure #3 (With Land Acquisition)	$ 9.0 MILLION
10	Redevelopment Management	$ 2.0 MILLION
11	Historic Downtown Urban Guidelines & Expanded Waterfront Planning Area Connecting UTMB	$ 500,000
	TOTAL: DOWNTOWN INVESTMENT	**$ 72.4 MILLION**

RECOMMENDED PHASE I IMPROVEMENTS

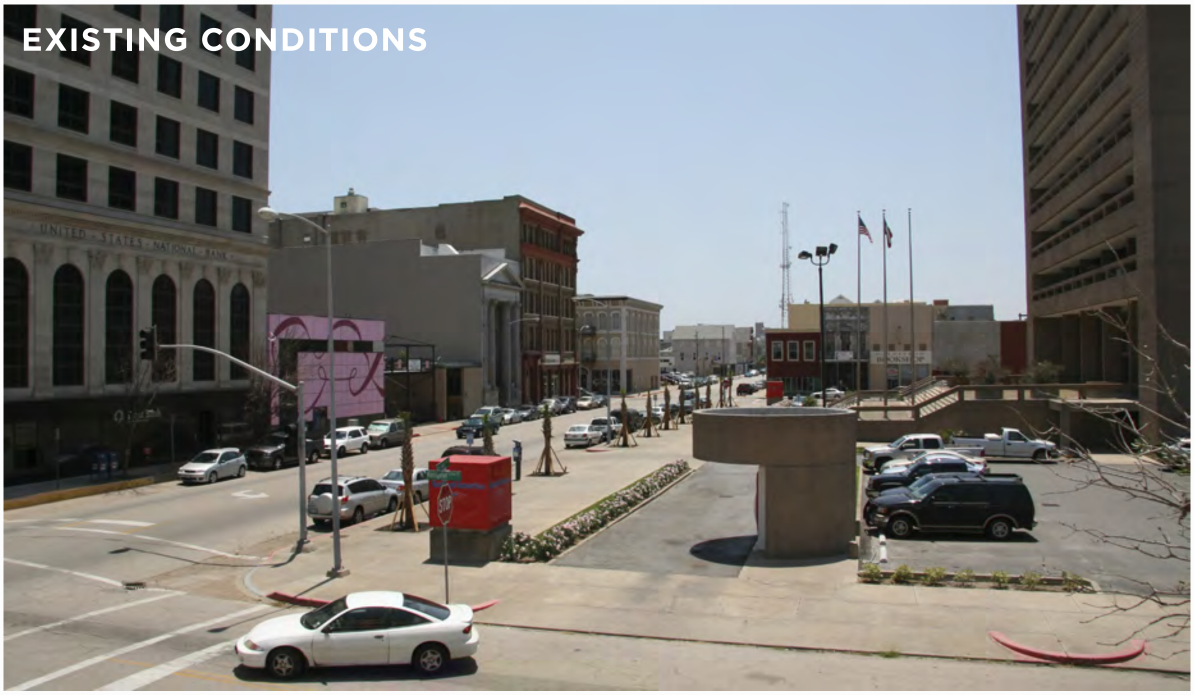
1	Harborside Drive Improvements- Phase I	$ 2.5 MILLION
2	Waterfront Parks & Promenade - Phase I	$ 3.0 MILLION
3	Downtown Parks - Phase I	$ 2.5 MILLION
4	Downtown Streetscapes - Phase I	$ 3.5 MILLION
5	Parking Structures - Phase I	$ 9.0 MILLION
	TOTAL: DOWNTOWN INVESTMENT	**$ 20.5 MILLION**

EXISTING PARKING LOT CONVERSION

CONVERSION OF PARKING LOT TO PUBLIC PARK

EXISTING PARKING LOT CONVERSION

CONVERSION OF PARKING LOT TO PUBLIC PARK



EXISTING CONDITIONS

PROPOSED CONDITIONS

HARBORSIDE DRIVE CONVERSION
PROPOSED STREETSCAPE