

An Executive Summary of the Economic Impact of Grand Beach in Galveston, Texas

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Prepared by:

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Introduction

This report presents the results of an economic impact analysis performed by Impact DataSource, Austin, Texas. The analysis was to determine the impact that Grand Beach residential and hotel development in Galveston, Texas will have on the economy of the Galveston area and the costs and benefits for local taxing districts during development and construction and over the first fifteen years of operations.

Description of the Facility

Grand Beach is a planned Galveston development project consisting of 50-60 single family homes of about \$1 million each and a luxury, full-service hotel of about 300-350 rooms costing \$60 million.

Economic Impacts and Revenues for the City and 4B Corporation to be Generated During Construction

Construction activity at the facility will pump money into the area's economy including generating taxable sales and sales taxes for the City and 4B Corporation

The project's development and construction will generate \$272 million in economic output from this construction activity (the amount of money that the project's construction will pump into the city's economy), support 914 direct and indirect construction jobs during the multi-year construction period, and generate \$93 million in direct and indirect construction salaries for area workers.

The total estimated city and 4B Corporation revenues generated by construction activities is shown below:

Estimated Total City and County Revenues Generated by Construction Activities			
	City	4B Corp.	Total
Sales tax collections	\$1,174,184	\$391,395	\$1,565,579
Estimated development and building permits and fees	\$3,000,000		\$3,000,000
Total revenues during construction	\$4,174,184	\$391,395	\$4,565,579

In addition to the economic impact from the construction activities, the economic activities created by the facility's operations -- once the facility is constructed and begins operations -- along with new permanent workers that will be employed at the facility, will also generate solid economic impacts for the area. These economic impacts from the facility's operations are discussed next.

The Estimated Economic Impact of the Facility over the First Fifteen Years of Operations

The facility will have the following economic impact on the Galveston area over the first fifteen years:

Economic Impact over the First Fifteen Years	
Total number of permanent direct and indirect jobs to be created	532
Number of direct and indirect workers who will move to the City	21
Number of new residents in the City	42
Number of new residential properties to be built in other parts of the City	5
Number of new students expected in Galveston ISD	5
Salaries to be paid to direct and indirect workers	\$154,692,212
Lodging Sales	\$393,651,262
Taxable sales and purchases expected in the City	\$140,199,284
The value of new residential property to be built in other parts of the city for some direct and indirect workers who may move to the City by Year 10	\$597,546
The facility's assets added to local tax rolls	\$120,000,000

Costs and Benefits for Local Taxing Districts over the First Fifteen Years of the Facility's Operations

Local taxing districts can expect costs and benefits over the first fifteen years from the facility, as scheduled below, beginning with the additional revenues to be received.

Additional Revenues for Local Taxing Districts

Local taxing districts can expect to receive the following revenues over the first fifteen years from the facility, its employees and workers in indirect jobs created in the community.

Additional Revenues For Local Taxing Districts Over the First Fifteen Years of the Facility's Operation				
	Sales Taxes	Property Taxes	Utilities	Utility Franchise Fees
City of Galveston	\$2,803,986	\$10,675,484	\$7,771,715	\$813,854
4B Corporation	\$700,996			
Galveston County	\$0	\$11,561,314		
Galveston ISD		\$22,451,399		
Galveston College		\$3,650,039		
Navigation District		\$898,160		
Road and Flood Fund		\$170,650		
Total	\$3,504,982	\$49,407,046	\$7,771,715	\$813,854

	Hotel Occupancy Taxes	Other Taxes and User Fees	Additional State and Federal School Funding	Total Additional Revenues
City of Galveston	\$35,428,613	\$49,842		\$57,543,493
4B Corporation				\$700,996
Galveston County		\$41,535		\$11,602,849
Galveston ISD			\$439,399	\$22,890,798
Galveston College				\$3,650,039
Navigation District				\$898,160
Road and Flood Fund				\$170,650
Total	\$35,428,613	\$91,378	\$439,399	\$97,456,986

Additional Costs for Local Taxing Districts

Local taxing districts will incur the following costs over the first fifteen years, as a result of the facility and direct and indirect employees.

Costs for Local Taxing Districts Over the First Fifteen Years of the Facility's Operation					
	Costs of Services to New Residents	Costs of Providing Monthly Utility Services	Costs of Educating New Students	Reduction in State School Funding as a Result of Property being Added to Local Tax Rolls	Total
City of Galveston	\$249,211	\$6,217,372			\$6,466,583
4B Corporation					\$0
Galveston County	\$83,070				\$83,070
Galveston ISD			\$390,577	\$20,042,451	\$20,433,028
Galveston College					\$0
Navigation District					\$0
Road and Flood Fund					\$0
Total	\$332,282	\$6,217,372	\$390,577	\$20,042,451	\$26,982,681

Additional Net Benefits

The additional public benefits less additional public costs will result in the following net benefits for the City, County and other local taxing districts over the first fifteen years of the facility's operation:

Net Benefits for Local Taxing Districts Over the First Fifteen Years of the Facility's Operation			
	Benefits	Costs	Net Benefits
City of Galveston	\$57,543,493	\$6,466,583	\$51,076,910
4B Corporation	\$700,996	\$0	\$700,996
Galveston County	\$11,602,849	\$83,070	\$11,519,779
Galveston ISD	\$22,890,798	\$20,433,028	\$2,457,771
Galveston College	\$3,650,039	\$0	\$3,650,039
Navigation District	\$898,160	\$0	\$898,160
Road and Flood Fund	\$170,650	\$0	\$170,650
Total	\$97,456,986	\$26,982,681	\$70,474,305

Conduct of the Analysis

This analysis was conducted by Impact DataSource using data, rates and information supplied by the development. In addition, Impact DataSource used certain estimates and assumptions.

Using this data, the economic impact from the facility's construction and operations and the costs and benefits for the City of Galveston and other local tax were calculated during construction and over the first fifteen years of operations.

In addition to the direct economic impact of the facility and its employees, spin-off or indirect and induced benefits were also calculated.

About Impact DataSource

Impact DataSource is a nineteen-year-old Austin economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Texas and 25 other states. In addition, the firm has developed economic impact analysis computer programs for several clients, including the New Mexico Economic Development Department.

The firm's principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.