PKF CONSULTING

MARKET STUDY

PROPOSED ARANSAS COUNTY CONFERENCE CENTER
ARANSAS COUNTY, TEXAS

PREPARED FOR:
COMMISSIONERS COURT OF ARANSAS COUNTY
404 BROADWAY
ROCKPORT, TEXAS 78382

PREPARED BY:
PKF CONSULTING
DALLAS, TEXAS

DATE OF THE REPORT:
JANUARY 19, 2010

4-909

PKF Consulting
1010 Lamar Street
Suite 400
Houston TX 77002

Telephone (713) 621-5252
Telefax (713) 621-9494

January 19, 2010

Commissioners Court of Aransas County
Judge Burt Mills
310 N. Live Oak Street
Rockport, Texas 78382

Dear Judge Mills:

In accordance with our engagement letter dated October 27, 2009, we have completed a market study for a proposed conference center in Aransas County. We evaluated four sites within the county and made recommendations on the site and facilities best suited to induce meetings demand into the market. The conclusions reached are based upon our present knowledge of the competitive market resulting from our fieldwork completed December 11, 2009.

As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive position of the project from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise this report to reflect events or conditions that occur subsequent to the date of the completion of our fieldwork. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Although they have been conscientiously prepared using information obtained during the course of this study and our experience in the industry, the proposed conference center's future performance is based on estimates and assumptions, which are subject to uncertainty and variation, and we do not represent them as results that will actually be achieved.

We would be pleased to hear from you if we may be of further assistance in the interpretation and application of our findings and conclusions. We express our appreciation to you and your associates for the cooperation extended to us during the course of this assignment.

Respectfully submitted,

PKF Consulting

G Randle McCaslin

G. Randle McCaslin
Vice President / Practice Leader

MARKET STUDY WITH
PROSPECTIVE FINANCIAL ANALYSIS
ARANSAS COUNTY CONFERENCE CENTER
ARANSAS COUNTY, TEXAS

TABLE OF CONTENTS

I – EXECUTIVE SUMMARY Page
Scope and Methodology I-1
Conclusions I-2

II – MEETING INDUSTRY TRENDS
Conference Center Defined II-1
Conference Center Demand II-1
Trends II-3

III – AREA OVERVIEW
Introduction III-1
Demographic and Economic Trends III-1
Rockport-Fulton Area Overview III-3
Transportation III-5

IV – MARKET ANALYSIS
Community Interviews IV-1
Community Survey IV-1
Association Planner Survey IV-2
Lodging Supply IV-3
Lodging Market Projections IV-4
Hotel Occupancy Tax IV-4
Comparable Conference Facilities IV-4

V- SITE ANALYSIS
Location V-1
Site Analysis V-1
Site Conclusions V-3
Recommended Facilities V-4

VI – ESTIMATED CONFERENCE CENTER PERFORMANCE
Methodology VI-1
Estimated Utilization VI-1
Estimated Revenue and Financial Summary VI-2

MARKET STUDY WITH
PROSPECTIVE FINANCIAL ANALYSIS
ARANSAS COUNTY CONFERENCE CENTER
ARANSAS COUNTY, TEXAS

TABLE OF CONTENTS

VII – IMPACT ANALYSIS
Economic Impact.....VII-1
Hotel Occupancy Tax.....VII-4
Sales Tax.....VII-6
Tangible Economic Impact Summary.....VII-6
Intangible Economic Impact.....VII-7

ADDENDA

A. Area Map
B. Chamber and Association Survey Results
C. Statement of Assumptions and Limiting Conditions
D. Certification

SECTION I

EXECUTIVE SUMMARY

PKF Consulting

SCOPE AND METHODOLOGY

PKF Consulting was engaged by the Rockport-Fulton Area Chamber of Commerce to perform a market study for a hotel and conference center in Aransas County.

In preparing this study, we completed the research and analysis listed below:

- Assembled, reviewed and analyzed economic, demographic and real estate market data pertaining to the Aransas County area in general and the Rockport-Fulton area in particular to evaluate the present economic climate and to estimate future growth potential, particularly as it relates to lodging demand.

- Conducted detailed interviews with representatives from the City of Rockport, City of Fulton, Aransas County and local tourism directors (lodging and attractions) to gain their insight into the demand for and location of a conference center.

- Surveyed 700 local Chamber of Commerce members to determine their current demand, potential demand and site location preferences for a conference center.

- Surveyed 200 association planners to determine their familiarity with Rockport-Fulton, types and size of meetings they would consider bringing to the area and the factors that are most important to them regarding location.

- Conducted an inspection of four potential sites in order to determine the best location for the proposed conference center.

- Evaluated the existing supply of lodging in the market to determine the historic revenue performance and annual hotel occupancy taxes (HOT) in the county.

- Evaluated and interviewed the management of the seven primary hotels that are positioned to accommodate the proposed conference center's lodging demand.

- Based on an analysis of historic market growth and factors determined from the review of the economic climate and interviews in the market area, prepared estimates of future growth in hotel demand and related HOT collections with and without a conference center.

- Evaluated the existing supply of meeting venues in the market to determine the degree of competition that they are likely to offer the proposed conference center.

- Evaluated and interviewed five comparable conference centers to understand their facility size, policies, demand, rates and overall performance.

- Recommended the concept, facilities and amenities for the proposed conference center that would be appropriate for the site and market.

- Based on interviews with the comparable meeting facilities in the area, estimated usage and rental rates for the proposed event center.

- Completed an analysis of impact of the proposed conference facility on HOT, sales tax, employment and spending to determine the estimated economic impact of the proposed conference facility on Aransas County.

CONCLUSIONS

A concise summary of the conclusions of this report follows:

- The goal of the City/County in developing a conference center is to support the tourism economy by attracting new group meeting demand into the area. This new demand accomplishes two objectives; 1) induces mid-week lodging demand to support the existing lodging community and 2) induces new spending dollars into the community to support new/expanded retail, restaurant and lodging developments.

- Aransas County is located in the U.S. within the State of Texas. It is part of the Corpus Christi Metropolitan Statistical Area. The County is comprised of Rockport – the county seat, the Town of Fulton and two unincorporated areas: Holiday Beach and Lamar.

- The County is bordered by Calhoun County (northwest), the Gulf of Mexico (southeast), Nueces County (south), San Patricio County (west) and Refugio County (northeast).

- Rockport-Fulton is on the central Gulf Coast of Texas, about 35 miles north of Corpus Christi, 170 miles southeast of San Antonio and 190 miles southeast of Houston.

- State Highway 35N runs through Rockport-Fulton with scenic views of Aransas Bay. The area is protected from the open Gulf of Mexico waters by San Jose (St. Joseph) Island.

- State Highway 35 connects Aransas Pass, Rockport and Fulton. The State Highway 35 bypass inland route is an alternative to bypass the town centers. The other major highway serving Rockport is State Highway 188.

- Rockport is easily accessed via the two main highways and is approximately 0.5 hours from Corpus Christi, 1.0 hour from Victoria, 1.0 hour from Kingsville, 2.5 hours from San Antonio, 3.0 hours from Houston and 6.0 hours from Dallas.

- Aransas County Airport is a regional airport located in Rockport and provides service for small private aircraft. Corpus Christi International Airport is the largest airport serving Aransas County. The airport is easily accessible on State Highway 35 just 35 minutes from Rockport. The route is very direct with limited traffic or delays.

- Corpus Christi International Airport has good lift capacities with Southwest, American Eagle and Continental Express. Southwest represents the largest market share at 36%. Airport total passenger activity through November of 2009 was 674,639, a 9.4% decline over prior year.

- Rockport-Fulton is a leisure destination and the waterfront and downtown ambience in both Fulton and Rockport are the attractions.

- Although the Rockport Fulton area is 35 miles from the Corpus Christi Airport, the drive time is similar to other convention markets in outlying metro areas (e.g., Plano, Granbury, Sugar Land, Kerrville, San Marcos, Galveston and Padre Island. The drive from Corpus Christi to Rockport normally has very limited traffic or delays, an advantage over other markets.

- The distance from major metropolitan areas is similar to other secondary convention markets including Galveston, Fredericksburg, Bay City, Port Arthur and Longview. Rockport-Fulton is within a convenient driving range from San Antonio, Austin and Houston.

- The current infrastructure, both lodging and dining, limits the size of group business that can be attracted and successfully accommodated in the area.

- Seven available lodging facilities are positioned to support the group market. These facilities run approximately 65% occupancy during the first three quarters of the year and 50% in the fourth quarter. Based on these statistics, only 150 room nights would be available to host groups. Weekends are the high demand days and hotels will be hesitant to extend any discounted rooms over the weekends to attract groups to the convention center.

- Although meeting planners will book meetings in locations without a headquarters hotel, they prefer meetings which are accommodated under one roof. Most centers, that do not have an adjacent headquarters hotel, have a much larger mix of local events.

- Our sample survey of potential users revealed a strong interest in the Rockport-Fulton area for small to medium sized meetings. Most of the interested demand identified was for groups looking to Rockport-Fulton for educational meetings and board meetings ranging in size from 50 to 100. Almost all of the demand we identified was for groups of 400 or less.

- Our survey of the local community indicated that most of the residents would prefer a waterfront location and believe that it would be a key factor in bringing new group business to the market.

- Our survey of meeting planners indicated that a waterfront location would be an important component for selecting Rockport-Fulton for a meeting or event.

- Our site analysis indicates a waterfront/view location is more likely to attract new group demand to the market. Waterfront/view Rockport (Site B and C) are the two best sites to accomplish both goals of the community – support the lodging community midweek and act as a catalyst for complimentary tourism developments. We recognize that both of these sites have more complex land acquisition/lease issues that may delay the development. However, we believe that these two sites will provide the best long-term economic impact to the community.

- The recommended facility would be approximately 18,000 square feet with 12,000 square feet of meeting space. According to our analysis of comparable facilities, we estimate the development costs of the facilities with land at approximately $4,000,000.

- The revenue structure proposed for the event center is rental income with food and beverage provided by outside vendors. We reviewed the fees at comparable properties to determine the pricing guidelines and resulting revenues of $289,150.

- Facility comparables indicate that operating expenses typically double the revenue for most public facilities. The gap is normally funded through a portion of the HOT taxes (ranging from 15% to 50%). We estimate that expenses related to our usage projections will result in operating expenses of approximately $450,000 annually.

- The table below reflects the impact that the proposed Aransas County Conference Center would have on the community over the period 2010 through 2020.

Economic Impact Summary
2010 - 2020 Aransas County

Category	Amount
Economic Impact	
From Construction	$2,261,280
From Operations	$7,052,521
Hotel Occupancy Tax	$5,890,060
Sales Tax Revenues	$186,276

Source: PKF Consulting

SECTION II

MEETING INDUSTRY TRENDS

PKF Consulting

An understanding of meeting industry trends and the demand for, and supply of, meeting space provides an important context for evaluating the market potential of new or expanded venues.

CONFERENCE CENTER DEFINED

A convention center is a large event venue with three distinct types of space suitable for exhibits, meals and meetings. Typically a venue is referred to as a convention center if it includes at least 25,000 square feet of dedicated exhibition space plus at least one ballroom and one block of breakout meeting rooms. Smaller facilities that have a large ballroom, meeting space and smaller exhibit space are often referred to as a conference or event center.

Most, but not all convention centers and conference centers are municipally owned and construction costs are typically financed through the use of tourism related tax venues such as hotel/motel, prepared food and beverage, car rental and other related taxes. The primary intent of these venues is to attract out-of-town visitors and related spending to their host communities. It is common for convention/conference centers in the U.S. to generate annual operating deficits above and beyond any annual debt service payments related to construction financing. However, the intent is to generate an economic impact to the community that far out weighs the operating deficit. The convention/conference center functions as a loss leader for the tourism and hospitality industry in local economies, thereby, generating significant spending by visitors on hotels, restaurants, retail stores, local transportation and visitor attractions within the community.

CONFERENCE CENTER DEMAND

Social Demand

Social event demand can be tied to the size of the local residential base of the surrounding area. Social demand is comprised of weddings, anniversaries, golf tournaments, fishing tournaments, religious organizations, recreational/school sports banquets, high school proms, graduations and birthday celebrations. These social events tend to be one-day bookings tied to either a lunch or dinner banquet. The social demand may also consider meeting space in hotels but is attracted to this type of meeting venue for price, decorating flexibility and outside catering options.

The local related banquets generate little, if any, economic impact for a community. However, they can be a significant source of rental and/or food and beverage revenue for a given facility. Fishing tournaments and weddings, specifically in the Texas Gulf Coast Region, generally attract out-of-town visitors who spend money within the community on lodging, dining and recreational activities during their visit.

Local Meetings – City, County, Civic, Chamber

A variety of civic clubs and non-profit organizations hold weekly and/or monthly meetings at conference centers, local hotels or local restaurants. The local civic clubs are normally associated with a state and regional chapter that hold annual meetings and events. Site selection for the annual event is normally determined on a bidding process with a local member promoting their community.

Cities and Counties often have needs for meetings and although some might be held at City Hall or other public venues, others require offsite facilities. The events generated by these organizations may include annual trade shows, ceremonies, small meetings and banquets. Due to the fact that they generally serve local groups, these events generate little, if any, economic impact for a community.

Meetings – Corporate and Association

Most corporations have on-site meeting rooms for routine meetings but occasionally will opt to go off-site to a distraction-free environment to conduct training, planning or board meetings. Corporate meetings are usually held during the day and involve breakfast, lunch and coffee breaks and can range from one to three days. Demand is often generated from within the local community but, depending on drive-times, destination amenities and pricing, corporations will drive and/or fly outside the area for these events.

Trade, professional, government and non-profit organizations have membership associations that meet for a convention and/or tradeshow annually. In addition, these groups also host regional conferences, board meetings and training sessions. Due to size limitations, the secondary markets are selected for the smaller conferences versus the annual events.

The conferences do not typically require large exhibition space. They require a general session room, banquet room and meetings rooms for seminars and breakout sessions. Conferences can generate a significant amount of new spending in the area economy if a large percentage of attendees originate from outside the local area. Conference visitors typically stay multiple nights in the host city and spend money on accommodations, food and beverage, retail goods, transportation and entertainment.

Consumer Shows

Consumer shows cover a broad range of events that attract the general public to see the specific products or services on display. Typical shows include: arts and crafts, home and garden, holiday bazaars and jewelry shows. These shows are normally two day events targeting sales and attendance from the residential base in the community.

Entertainment

Festivals, concerts and performances are often booked at convention/conference centers. With the exception of large festivals, entertainment events typically target local area residents and, therefore, generate only minimal economic impact. However, these events can have great importance with respect to a community's image and the quality of life of its residents.

TRENDS

Various convention and meeting industry organizations periodically survey members that have a role in the site selection process for events. The American Society of Association Executives (ASAE), Meeting Planners International (MPI), American Express, Professional Conference Management Association (PCMA) and Destination Marketing Association International (DMAI) all conduct research in the meeting and conference sector. We have summarized some of the key findings to further profile the trends and factors influencing today's meeting market.

- Across all regions, 12% of association planners expect conference attendance to decline in 2010 due to corporate budget cuts and high travel costs. A small number of association planners also expect their organizations to lose members. Membership numbers and conference attendance are expected to recover once the economy improves.

- 44% of planners thought that the number of annual off-site meetings would decrease in 2009/2010, while 47% thought they would stay the same and 9% thought they would increase.

- Most thought that 2009 was a decisive year for the global meetings and events industry, in which cost savings, value, flexibility and innovation have become key drivers of success.

- Key factors influencing site decisions are reflected in the table below

Market Pulse 2009	
Site Selection Factors	**Relevance**
Airline service	70%
Quality and availability of hotel accommodations (3-diamond AAA rating +)	67%
Overall affordability	58%
Membership appeal	44%
Rotation policy	42%
Driving accessibility	40%
Dining and entertainment	18%
Climate	18%

Source: MPI, DMAI

SECTION III

AREA OVERVIEW

PKF Consulting

INTRODUCTION

It is generally recognized that the relative success of a conference center is influenced by factors that can be broadly categorized as economic, governmental and environmental. Therefore, it is necessary to evaluate the dynamics of these factors within a market to understand their effect on the projected utilization levels of real estate property.

The Corpus Christi (MSA) includes the counties of Aransas, Nueces and San Patricio. The Metropolitan Statistical Area (MSA) covers nearly 2,400 square miles and has an estimated total population of 415,400.

DEMOGRAPHIC AND ECONOMIC TRENDS

County Population			
County	**1998**	**2008**	**Growth 1998-2008**
Aransas	22,135	24,900	12.5%
Nueces	314,810	322,077	2.3%
San Patricio	66,873	68,399	2.3%

Source: U.S. Census Bureau

Employment Growth		
	Corpus Christi MSA	**Texas**
Employment Growth 2008	3.4%	2.1%
Unemployment Rate 2008	4.7%	4.9%
Net Job Change in 2008	6,000	221,700
2008 Employment Growth by Sector		
Natural Resources, Mining & Construction	8.8%	5.4%
Manufacturing	0.0%	-1.1%
Trade, Transportation and Utilities	3.1%	3.1%
Information	0.0%	-0.1%
Financial Activities	1.2%	3.0%
Professional Services	3.7%	5.3%
Educational and Health Services	4.9%	3.1%
Leisure and Hospitality	0.5%	3.9%
Government	1.5%	0.9%

Source: Texas Workforce Commission and Real Estate Center at Texas A&M University

Top Ten Employers Corpus Christi	
Employer	**Employees**
Corpus Christi Army Depot	4,876
Corpus Christi ISD	4,776
CHRISTUS Spohn	4,260
City of Corpus Christi	3,434
H-E-B Grocery Co.	2,539
Bay Ltd. Industrial	2,500
Texas A&M Corpus Christi	1,994
Driscoll Children's Hospital Health Care	1,705
Naval Air Station Corpus Christi	1,630
Corpus Christi Medical Center	1,347

Source: Corpus Christi Regional Economic Development Corporation, Feb. 2008

The 2009 Milken Institute/Greenstreet Real Estate Partners Best-Performing Cities Index ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The report below ranks the Corpus Christi Metro area 16th, up from 88th in 2008.

MILKEN 2009 LARGE METRO AREAS TOP 200 CORPUS CHRISTI MSA		
5-yr Job Growth (2003-2008)[1]	Score: **104.18**	Rank: **47**
1-yr Job Growth (2007-2008)[2]	Score: **103.77**	Rank: **2**
5-yr Wages & Salaries Growth (2002-2007)[3]	Score: **104.16**	Rank: **54**
1-yr Wages & Salaries Growth (2006-2007)[4]	Score: **101.27**	Rank: **36**
Job Growth (Mar08 - Mar09)[5]	Growth: **-1.36 %**	Rank: **41**
5-yr Relative HT GDP Growth (2003-2008)[6]	Score: **109.27**	Rank: **29**
1-yr Relative HT GDP Growth (2007-2008)[7]	Score: **100.93**	Rank: **31**
High-Tech GDP LQ - 2008[8]	Score: **0.56**	Rank: **143**
# of HT GDP LQs Over 1 - 2008[9]	Score: **3.0**	Rank: **148**

ROCKPORT-FULTON AREA OVERVIEW

Aransas County had an estimated population of 22,497 in 2000. The County's population is estimated at 25,404 indicating a compound annual growth rate (CAGR) of 1.5% during the 2000 to 2008 period. The population is comprised of mainly "empty nesters" and retirees.

The economic base is heavily comprised of tourism. Aransas County has a yearly economic impact in travel spending of $92.1 million. Of the visitors to Aransas County, over 75,000 visit the Aransas National Wildlife Refuge, 20,000 visit the Texas Maritime Museum, 25,000 visit the Fulton Mansion and 30,000 visit the Rockport Aquarium. During the fiscal year (October 2008 to September 2009), 49,500 permits were issued for the Rockport Beach Park, a 16% increase over prior year. The key feeder markets for Rockport-Fulton are San Antonio, Austin, Corpus Christi, Victoria and Houston. In a study conducted by the Chamber, almost 1 in 5 San Antonio residents report that they visit the Corpus Christi area each year.

Rockport-Fulton is known for its endless recreational possibilities including: fishing, swimming, picnic areas, hike and bike trails, birding, nature trails and mile-long sandy beach. It is a summer family destination and continues to attract visitors on weekends in the spring and fall. Rockport is known for its fishing and is a popular destination for fishing tournaments. The community attracts Winter Texans migrating from the Midwest during the months of November through February. Rockport-Fulton has several events that attract tourists from across the state. The chart below highlights some of the significant annual events.

Rockport-Fulton Festival Events

Event	Date	Location
Annual Gospel Music Festival	January	M. Luigi Auditorium
Annual Oysterfest	March	Paws & Taws
Annual Classic Auto Show	March	Rockport Beach Park
Annual Herb Festival	April	ACISD Complex
Annual Babes on the Bay	May	Festival Grounds
Rockport Festival of Wines	May	Texas Maritime Museum
Rockport Art Festival	July	Festival Grounds
Rockport Offshore Challenge	July	Key Allegro Marina
Hummer Bird Celebration	Sept	ACISD Complex
Rockport Seafair	October	Festival Grounds
Annual Rockport Film Festival	November	Main Street Arts

Source: Chamber of Commerce

There are limited commercial demand generators in the market. The major employers in Rockport-Fulton include: Aransas County Independent School District (521), Wal-Mart (250), H.E.B (185), Wood Group Production Services (181), Aransas County (175), City of Rockport (130), State of Texas (107) and Gulf Port Plaza (93). The communities of Corpus Christi, Ingleside, Port Aransas, Aransas Pass, Port Lavaca, Kingsville and Victoria have commercial demand and an economic base comprised of petro-chemical, light manufacturing and tourism.

The Chamber of Commerce has a Tourism Development Council that actively studies and develops strategic action plans for promoting tourism. This group has completed a competitive Environmental Assessment that profiles the strengths, weaknesses, opportunities and threats to the local tourism sector. We have put their data in the table below and added some of PKF's assessments.

Aransas County
Competitive & Environmental Assessment

Strengths	Weaknesses	Opportunities	Threats
Relaxed, quaint, small town	Downtown not vibrant – too few stores and restaurants	Training Program	Competing markets upgrading and expanding
Birding	No public transportation to Corpus Christi Airport	Promote strengths – relaxation, experience	Lack of viable businesses and shopping
Fishing	No convention center – breakout rooms, exhibit halls, et.	Expand Downtown area to include outdoor dining, shops, music, etc.	Ingleside
Boating/Water Sports	Limited dining options	Expand meeting facilities	
Art	Quality of lodging	Tourist attractions – expansion and growth	
RV Friendly	Limited family activity venues	Navigation District – negotiating vendors in 2010	
Blue Wave Beach	Limited water sport, bike rentals, activities	Improved design and walk-ability in downtown Fulton and Rockport	
Natural Attractions	Bay front area has no boardwalk or sidewalk for walking, running, etc.	Attract more tourist related activities	
Affordable	Winter Texans	Market to surrounding communities	
Clean	Room availability in peak summer months and weekends	Large nearby population to draw from	
Family oriented	Limited qualified and reliable labor force		
Easily accessible by car	Economy dependent on tourism, limited commercial base		
Affordable airfare on Southwest into Corpus Christi	Limited evening activities		
Community leaders and community knowledge			

Source: Chamber of Commerce – Tourism Development Council & PKF Consulting

The Rockport-Fulton Area Chamber of Commerce Tourism Development Council has a tourism budget for the fiscal year 2009 to 2010 of $436,870. The two largest expenditures include staffing the Chamber Tourism Department / Operation Springfield and advertising.

TRANSPORTATION

Airport

Aransas County Airport is a regional airport located in Rockport and provides service for small private aircraft. Corpus Christi International Airport is the largest airport serving Aransas County. The airport is easily accessible on State Highway 35 just 35 minutes from Rockport. The route is very direct with limited traffic or delays.

Corpus Christi International Airport has good lift capacities with Southwest, American Eagle and Continental Express. Southwest represents the largest market share at 36%. Airport total passenger activity through November of 2009 was 674,639, a 9.4% decline over prior year. The historic passenger statistics are displayed in the table below.

Corpus Christi Airline Activity

Airport Activity	2004	2005	2006	2007	2008
Enplaned (international & national)	410,036	434,567	443,444	438,179	404,760
Deplaned (international & national)	407,949	433,617	443,084	436,802	403,297
Total (international & national)	817,985	868,184	886,528	874,981	808,057

Source: Corpus Christi International Airport

Highways

Highway transportation systems and ease of access are significant factors that can affect demand for meetings and tourism. Rockport-Fulton is on the central Gulf Coast of Texas, about 35 miles north of Corpus Christi. State Highway 35N runs through Rockport-Fulton with scenic views of Aransas Bay. The area is protected from the open Gulf of Mexico waters by San Jose (St. Joseph) Island.

State Highway 35 connects Aransas Pass, Rockport and Fulton. The Highway 35 bypass inland route is an alternative to bypass the town centers. The other major highway serving Rockport is State Highway 188. Rockport is easily accessed via the two main highways and is approximately 0.5 hours from Corpus Christi, 1.0 hour from Victoria, 1.0 hour from Kingsville, 2.5 hours from San Antonio, 3.0 hours from Houston and 6.0 hours from Dallas.

SECTION IV

MARKET ANALYSIS

PKF Consulting

COMMUNITY INTERVIEWS

In order to understand the interplay between the Rockport-Fulton community and the proposed conference center as well as the facilities needed in the market, we conducted a series of interviews with community leaders. Although the responses varied regarding the site, the overall goal and vision for a conference center were similar. The section below summarizes the key findings from our interviews.

- Our local interviews with key community leaders revealed a variety of goals for the potential conference center. However, all were unanimous that the primary purpose is to induce mid-week and shoulder period demand to support the tourism base. The majority also felt the facility should be a catalyst for complimentary business development in the tourism and retail sector.

- The feedback from the community varied in regards to location. Some had a preference for the old Wal-Mart site while others preferred a waterfront location.

- There seemed to be a general concern by the community in terms of development costs and how operational short-falls may be handled.

- Several did not feel that demand existed to support a conference center. They have not seen group demand in the market and thought that the distance from the airport and driving distance from major metro areas would be a negative factor for attracting group demand.

COMMUNITY SURVEY

To understand the goals, location and demand opportunities from the local community, the CVB coordinated a survey with PKF to over 700 Chamber of Commerce members. Our survey resulted in a 15% response rate. The survey and results are attached as an addendum to the report. We have highlighted the key findings of the survey below.

- When asked about usage, 58% indicated no need, 2% monthly, 31% annually and 9% more than three times annually.

- The average attendance at events fell in the range of 50 to 100 people. Approximately 10% of the events required space for more than 200 people. Those requiring the most space were related to conventions and tradeshows.

- For the 41% that would hold events, over half would not require hotel accommodations, 23% would need a room block of a few rooms (10 to 40) and 17% expressed a need for a larger room blocks (50 to 200).

- Most of those surveyed use one of the two beach pavilions (57%) for their events, while others indicated local restaurants and the Rockport Country Club. There appears to be some unsatisfied demand with 38% indicating they use facilities outside the area.

- Our survey revealed that Rockport has an active community with 85% of those surveyed indicating they are active members in an association. Most acknowledged their association holds events and would be willing to host or promote Rockport-Fulton for future meetings.

- Most of those surveyed (50%) thought that the old HEB building would be the best site for a conference center.

ASSOCIATION PLANNER SURVEY

PKF surveyed approximately 200 Texas association executives to determine their interest, preferences and potential usage of a conference facility in Rockport-Fulton. The survey resulted in a 25% response rate. The full survey and results are attached as an addendum to the report. The key findings of the survey are highlighted below.

- The majority (78%) of those surveyed are familiar with the Rockport-Fulton area.

- There was a lot of interest to host board meetings (78%), educational events (63%) and meetings (49%) in the community. The majority (80%) did not think they would select the area for a convention or tradeshow.

- Board meetings average a small attendance of less than 50 people, educational conferences between 50 to 100 people and the meetings range between 100 and 400 people.

- The majority of the events would occur over a weekday period (66%).

- When asked about key factors influencing site selection, the quality of hotels and driving distance were most important, followed by friendless of the area, airport capacities and price. Restaurant availability and group activities appeared to be less of an overall factor.

- Most (71%) felt a waterfront location would be very important in selecting the area for meetings and events.

LODGING SUPPLY

The number of rooms available significantly affects the size and type of groups that can be attracted to the area. Rockport-Fulton has 32 lodging facilities totaling 925 rooms. In addition to the hotels and motels, several condominiums and homes are rented to families and groups throughout the year bringing the total available supply to approximately 1,525 available rooms. PKF indentified seven properties positioned to capture group, association and corporate demand. These facilities were selected based on quality, location and brand affiliation. We have summarized the properties in the table below.

Primary Competitive Hotels

Property	Year Built	Number of Rooms	Total SF Meeting Space	Total SF Per Room
Hampton Inn	2006	64	1,100	17
Light House Inn	2003	78	1,600	21
The Inn at Fulton Harbor	2002	44	800	18
Pelican Bay Resort	2001	28	700	25
Holiday Inn Express	1997	50	0	0
Laguna Reef	1986	72	1,000	14
Kontiki Beach Resort	1985	88	0	0
TOTAL/AVERAGE		**424**	**743**	**12**

Source: PKF Consulting

The historic performance of the lodging market in Rockport-Fulton is highlighted in the two tables below.

Historical Market Rockport-Fulton Lodging Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2007	556,260	N/A	230,286	N/A	41.4%	70.19	N/A	29.06	N/A
2008	556,260	0.0%	233,381	1.3%	42.0%	72.96	3.9%	30.61	5.3%
CAAG	0.0%		1.3%			3.9%		5.3%	
08' YTD Sep	417,195	N/A	190,563	N/A	45.7%	$76.06	N/A	$34.74	N/A
09' YTD Sep	417,195	0.0%	204,239	7.2%	49.0%	77.00	1.2%	37.69	8.5%

Source: PKF Consulting, Smith Travel Research, Texas Comptroller

Historical Market Rockport-Fulton Primary Hotels

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	Market REVPAR	Percent Change
2007	154,760	N/A	89,761	N/A	58.0%	83.00	N/A	48.14	N/A
2008	154,760	0.0%	92,856	3.4%	60.0%	85.00	2.4%	51.00	5.9%
CAAG	0.0%		3.4%			2.4%		5.9%	
08' YTD Sep	116,070	N/A	73,124	N/A	63.0%	$89.00	N/A	$56.07	N/A
09' YTD Sep	116,070	0.0%	77,767	6.3%	67.0%	90.00	1.1%	60.30	7.5%

Source: PKF Consulting, Smith Travel Research, Texas Comptroller

LODGING MARKET PROJECTIONS

PKF has projected the performance of the hotel lodging market for the five year period of 2009 to 2013. The table below reflects are hotel market projections assuming no conference center is developed in the county.

Without a Conference Center

Competitive Market
Estimated Future Growth in Lodging Supply and Demand No Conference Center
2008 - 2013

	2008	2009	2010	2011	2012	2013
Total Annual Rooms Supply	556,260	556,260	556,260	570,860	570,860	570,860
Growth Over the Prior Year	0.0%	0.0%	0.0%	2.6%	0.0%	0.0%
Total Market Demand	233,400	243,600	250,000	259,100	266,000	273,000
Growth Over Prior Year	N/A	4.4%	2.6%	3.6%	2.7%	2.6%
Market Occupancy	**42%**	**44%**	**45%**	**45%**	**47%**	**48%**

Source: PKF Consulting

HOTEL OCCUPANCY TAX

The County, Rockport and Fulton apply a 7% hotel tax on all overnight lodging revenue. We have provided a table below that summarizes the HOT collections over the past two years. Approximately 17% of the annual hotel revenues are not taxable as they relate to extended stays (longer than 30 days) or are government related.

Rockport-Fulton Hotel Taxable Revenue History

Year	Fulton	Rockport	Total
2007	$4,226.048	$9,754,625	$13,980,673
2008	$4,141,621	$10,278,814	$14,420,435

Source: State of Texas

COMPARABLE CONFERENCE FACILITIES

Local Meeting Facilities

Our survey of the community revealed that banquets and events are currently held at the Rockport Saltwater Beachfront Pavilion, Paws and Taws, Rockport Country Club and area restaurants. Larger events are held at the outdoor festival grounds or the local high school. Large school functions like graduation and prom are held at the Aransas Pass Convention Center or a Corpus Christi facility.

Saltwater Beach Pavilion

The facility is located on the north tip of Rockport Beach Park with excellent views of Key Allegro and the Harbor. It is owned by the Navigation District and managed by the City of Rockport Parks Department. The facility has one large 3,800-square foot room that comfortable accommodates groups up to 250 people. The facility rents for a daily fee of $300 and includes tables, chairs, kitchen facility, stereo sound system and audio visual equipment.

Over the past two years the facility has averaged 145 annual rentals with over 85% occurring during the weekend period (Friday through Sunday). The facility runs 95% occupancy on weekends. Although denials are not formally tracked, they estimate that they receive 50% more inquires than they can accommodate. Based on the address of the person contracting the facility, 70% of the bookings are estimated to be from out-of-town groups. The largest source of demand includes social banquets, weddings and fishing tournaments.

Project Springfield has generated several lead referrals to the facility. However, the facility has not been able to accommodate their needs. Most of the group leads require a general session meeting room, separate banquet facility for meals and several small break-out rooms.

Paws and Taws

Located at Fulton Harbor, the banquet facility is owned and operated by the City of Fulton on a land lease from the Navigation District. The facility has a kitchen, large ballroom, a small breakout alcove and a large covered porch overlooking the harbor. The banquet hall can accommodate groups up to 175 people. They were not able to provide the number of bookings annually but indicated that it was similar to the Saltwater Pavilion. Paws and Taws is also fully booked on the weekend, experiencing unsatisfied demand on Fridays and Saturdays. There is very little mid-week usage. The primary source of demand includes weddings, social banquets and fishing tournaments.

Corpus Christi

The American Bank Center in Corpus Christi is a much larger facility and is not a good comparable to benchmark the size, demand or operation for the proposed facility. However, the demand and type of business Corpus Christi attracts does provide a good profile of potential demand to the Fulton-Rockport market.

The Corpus Christi CVB books an average of 24 large tradeshows and conventions at the American Bank Conference Center annually. In addition to the large events, they book approximately 350 meetings per year that range in size from 100 to 400 people. The CVB attributes over 70% of the group business to the State Association market, 15% to SMERF (Social, Military, Educational, Religious and Fraternal) and 15% to corporate.

Comparable Facilities

PKF looked at other Gulf Coast communities to identify comparable facilities. We identified five facilities that have been used as a comparison for this study.

Aransas Pass Civic Center

The facility opened in 2008 and is owned by the City of Aransas Pass and managed by Venue Works. The development was estimated to cost approximately $4 million and was funded by the Aransas Pass Municipal Development District sales tax. The main hall offers 15,300 square feet that is divisible into three separate rooms. The main hall can accommodate 78 exhibit booths or 950 people for a banquet. There are four additional small breakout rooms ranging from 700 to 1,800 square feet.

The daily rate for the main hall is $900 or $250 for each separate section. Smaller meeting rooms range between $75 to $175 for daily use. The facility has a full kitchen and charges 15% commission on all catering. Additional fees are charged for audio visual rental, cleaning fees and set-up. The stringent booking policies and mandatory catering has been viewed as a negative and positions them poorly regarding price/value. Although they were not willing to disclose information regarding usage, many in the area believe that the center is not performing well.

Victoria Community Center

This facility opened in 1968. It is owned by the City of Victoria and managed by the City's Parks and Recreation Department. The Center is located just outside of downtown Victoria approximately five miles from the US 59/SH 87 junction. The facility consists of three separate areas: the 12,300-square foot Dome, 7,279-square foot Annex and 46,000-square foot arena. The Dome is one large hall with an adjacent kitchen and is well-suited for large banquets, festivals, concerts and tradeshows. The Annex is divisible into four smaller rooms and is most often rented for meetings, conventions and weddings.

The facility has separate rate schedules for weekday (Monday through Thursday) and weekends (Friday through Sunday). Weekend rates are $900 for the Dome and $675 for the Annex and weekday rates are reduced to $750 and $550, respectively. Management estimates that 80% of the business is generated from within the county and only 20% from conferences or meetings from outside the community. They are currently undergoing a study to determine the feasibility of an expansion/renovation. Approximately 50% of the City's Hotel Occupancy Tax is used to support the Community Center's operating and building fund

Bauer Center Port Lavaca

The Bauer Center was estimated to have opened in 1990. In 2008, the facility received significant Hurricane damage and was rebuilt later in the year. It is owned by the City of Port Lavaca and managed by the Chamber. Development costs were estimated at $2 million to build and furnish and there is currently no debt service. The facility has one 12,500-square foot main hall, a full kitchen and two small meeting rooms of approximately 2,000 square feet. The main hall can accommodate 700 people for banquet events.

The rental fee is $750 on weekends and $500 midweek. Management estimates that they sell 75% of their weekends (Friday/Saturday) and about 45% of their midweek dates.

Most of their midweek demand is from local companies/organizations and their weekend demand attracts social events, weddings, fishing tournaments and consumer shows that bring outside visitors. The facility is also used midweek by sporting venues and concerts. The Town recently added a paid tourism specialist to attract more midweek demand. The current hotel inventory is running strong occupancies and, with three new hotels under construction, they hope to have more mid-week availability to support group room blocks. They currently host about three association/corporate meetings a year and hope to double their business over the next few years.

In the last fiscal year, the Town reported $40,000 in rental income and expenses of $163,000. Approximately 34% of the Hotel Occupancy Tax is allocated to support the centers operation and any remaining expense gap is funded by the Town's General Fund ($30,000 last year).

South Padre Island Convention Center

The facility was built in 1993 through HOT supported tax bonds. The facility will be paid off in 2010 and the city is considering an expansion. The facility is owned by the City and operated by the Convention and Visitors Bureau. The facility is 45,000 square feet including a 22,000-square foot exhibit hall, 2,600-square foot auditorium and 9,000 square feet of meeting rooms. They have strict booking policies and do not accept community bookings or long-term social bookings. The CVB estimates the facility runs approximately 60% occupancy year-round and caters to the Texas State Association market. The location of the facility is not proximate to the hotels but, due to the views and location of the convention center, they have been able to overcome the obstacle without providing a shuttle service.

South Padre's hotel inventory consists of 4,372 rooms that run an average occupancy of 40%. There are only three full-service hotels consisting of approximately 700 rooms. The full-service hotels have average occupancy rates of 50% and ADR's around $160. The lodging markets occupancies are seasonal with summer and spring representing the peak periods.

Bay City Matagorda Civic Center

The Bay City Civic Center opened in 1999. The City purchased an "old Handy Hammer" building in the mid 80's using HOT funds. In 1997, the City Council authorized the Community Development Corporation to seek a loan in the amount of $1.5 million for construction costs with an additional $0.5 million raised to fund the furniture and fixtures. There is no current debt service on the building and the operation is funded by rental revenue and about 39% of the annual Hotel Occupancy Tax funds.

The building is approximately 25,000 square feet which includes a 12,400-square foot banquet hall and six separate breakout rooms. Weekends are in higher demand at the center but no price premium is placed on rental rates. The demand for the center is estimated at 70% from within the county and 30% from outside the area. The largest demand segment is social/banquet followed by the meetings segment. They do host several corporate meetings from corporations in the county and a few association meetings annually.

COMPARABLE MEETING FACILITES

FACILITY	Aransas Pass Civic Center	Victoria Community Center	Port Lavaca Bauer Center	South Padre Island Convention Center	Bay City Matagorda Civic Center
GENERAL INFORMATION					
Address	610 West Wheeler Aransas Pass, Texas	2905 E. North Street Victoria, Texas	2300 Highway 35 N Port Lavaca, TX	5301 Riverwalk Dr. Colleyville, TX	3401 Cultural Center Dr. Bay City, Tx
Ownership/Management	City/Venue Works	City /ParK and Rec.	City/Chamber	City /CVB	City /Chamber
Year Built	2008	1968	*Redone 2008	1997	1999
Location Attributes	Downtown	Highway	Waterview	Waterview	Highway
MARKET DATA					
City/County Population (2000)	8,100/313,645	60,603/84,000	12,000/20,500	2,400/335,000	18,600/38,000
Closest Airport	Corpus Christi	Victoria Regional Airport 3-daily Continental Express	Victoria Regional Airport	Brownsville Airport Harlingen Airport	Houston Hobby /Intercon Victoria Regional Airport
Closet Metro Area (hours)	Corpus Christi (0.5) San Antonio (3.0)	Corpus Christi (1.5) Houston, San Antonio (2.0)	Victoria (0.5) Corpus Christi (1.2)	McAllen (1.5) Corpus Christi (3.0)	Houston (1.5) Austin (3.0)
FACILITY DESCRIPTION					
Total Facility SF	25,000 SF	19,000 SF	18,000 SF	45,000 SF	20,000 SF
Largest Room SF	15,400 SF	Dome – 12,300 SF	12,400 SF	22,000 SF	12,000 SF
Meeting Rooms	Three breakout rooms	Annex – 4 sections	Two breakout rooms	Several breakout rooms	Six breakout rooms
Other Rentable Space	Outdoor courtyard	46,000 SF Arena		Auditorium	
PRICING	Main Hall - $950 Breakout rooms - $250 ++set-up, A.V.	Dome - $950 WE/$750WD Annex- $675WE/$550 WD	$750 WE/$400 WD Breakout rooms - $200	$1,800 Entire Facility Breakout rooms-$400	$750 Breakout rooms $200
MANAGEMENT POLICIES					
Catering Policy	Must use on site caterer	Open Catering	Open Catering	Open Catering	Open Catering
DEMAND SOURCES					
	60% Wedding/Social 20% Civic Groups 10% Tounament Events 10% Meeting	50% Wedding/Social 20% Meetings 10% Entertainment 10% Civic Groups 10% Consumer Show	60% Wedding/Social 15% Entertainment 15% Civic 10% Meetings	100% Meetings	50% Wedding 30% Meeting 20% Civic
USAGE					
Peak Months	Year-round	Year-round	Spring, Summer, Fall	Year-round	Year-round
Events/Year	Approx. 150	Approx. 250	Approx. 175	Approx. 220	Approx. 175
Weekday/Weekend	25%/75%	30%/70%	30%/70%	45%/65%	30%/70%
Local/Outside Area	80%/20%	80%/20%	80%/20%	5%/95%	70%/30%

Source: PKF Consulting

SECTION V

SITE ANALYSIS

PKF Consulting

LOCATION

The proposed conference center will be located in Aransas County, Texas. Aransas County is part of the Corpus Christi Metropolitan Statistical Area. The County is comprised of Rockport - the county seat, the Town of Fulton and two unincorporated areas: Holiday Beach and Lamar.

The county is bordered by Calhoun County (northwest), The Gulf of Mexico (southeast), Nueces County (south), San Patricio County (west) and Refugio County (northeast). Rockport-Fulton is on the central Gulf Coast of Texas, about 35 miles north of Corpus Christi, 170 miles southeast of San Antonio and 190 miles southeast of Houston.

SITE ANALYSIS

Executives with Aransas County and the Chamber of Commerce identified two potential sites for the conference center. Both of these sites are closed retail facilities that have limited alternative uses. We understand the community is supportive of alternative uses for the vacant facilities as it improves the general appearance of the area and removes an obstacle for business development. However, after reviewing the initial projections for acquisition and renovation for both facilities, the development cost projections are much higher than comparable facilities with new construction. Additionally, both buildings are larger than the demand dictates creating challenges to building construction and utility usage. We did not preclude either of the two sites based on these factors and included them in our site analysis below.

In addition to these two sites, PKF also considered a location for a conference center on the waterfront at Rockport Harbor and on the waterfront at Fulton Harbor. These sites are labeled A through D and identified in the addendum section of this report.

A. Old Wal-Mart site – This 6.02-acre site is located along Highway 35N at the intersection of Traylor Street. The site is centrally located to three of the larger residential subdivisions, adjacent to Rockport Country Club and in the corridor where most of the new retail and restaurant development has occurred.

   The Wal-Mart structure is 50,000 square feet with parking for approximately 400. The estimated purchase price for the land and building is $1.5 million. The estimated renovation including condemnation is $6.5 million, bringing the project cost to approximately $8 million. The site is adjacent to a greenbelt and creek that the city plans to develop into a nature walk and park area. Adjacent to the site there are several parcels of land available for development.

B. Old HEB site - This 3.46-acre site is located along the intersection of Highway 35N and Broadway. It is adjacent to some of the larger tourist attractions in Rockport, including Rockport Beach, Texas Maritime Museum, Rockport Center for the Arts, Heritage Downtown District and the Aquarium of Rockport. It is directly across from Rockport Harbor with views of the marina and Little Bay.

The HEB structure is 46,500 square feet with parking for approximately 300. The property was purchased and under development as a mixed-use, high-rise condominium project prior to the recession and tightened financial markets. The property is currently in foreclosure and the exact purchase price for the building is estimated at $1.9 million. The estimated renovation, which includes condemnation, is estimated at $8.2 million.

C. Waterfront/View Rockport – The Navigation District and Bass family own approximately 17 acres of waterfront property in Rockport. The Navigation District has plans to put in a protective south breakwater which would create a protected cove and beach area. The site currently has a dilapidated, closed motel, which the Navigation District plans to remove next year. According to Rockport City officials and the Navigation District, the Bass family would be open to a land swap that would create approximately a seven-acre site. This land would be available on a land lease basis from the Navigation District.

   The survey respondents mentioned another potential site along Highway 35N at the old Surf Motel site. No specifics were available regarding ownership, lot size or land costs.

D. Waterfront/View Fulton – Although no specific land was discussed, a few available sites were mentioned along Highway 35 N. adjacent to Paws and Taws or across from the Lighthouse Inn. Both these sites would be fairly small (approximately three acres). The land adjacent to Paws and Taws is operated by the City of Fulton on a land lease from the Navigation District. The current use is a large parking lot and greenbelt area, which is used annually to host the Oyster Festival. The land across Highway 35 N. from the Lighthouse Inn is available but ownership and land costs were not discussed.

Each site was evaluated based on its proximity to local lodging, proximity to amenities, and proximity to water, accessibility, visibility, available parking, site size, expansion opportunities and its effect as an economic catalyst. Our ranking and ratings were based on detailed data collection including:

- Physical site assessment
- Interviews with local business leaders
- Interviews with local hotels and local catering venues to determine current demand generators and marketability for each of the sites
- A survey of Aransas County Chamber membership
- A survey of potential group users (TSAE & SGMP)

After studying and reviewing each site and assessing the market, we have ranked the sites according to their suitability.

Aransas County Proposed Conference Center Site Analysis

	Site A	Site B	Site C	Site D
Accessibility	Very Good	Very Good	Very Good	Fair
Visibility	Good	Very Good	Very Good	Good
Proximity to amenities	Very Good	Very Good	Very Good	Excellent
Proximity to lodging	Good	Good	Good	Very Good
Proximity to water	Fair	Very Good	Excellent	Excellent
Available parking	Excellent	Very Good	Very Good	Good
Site size	Excellent	Very Good	Excellent	Fair
Surrounding land uses	Very Good	Very Good	Good	Very Good
Ease of future expansions	Excellent	Good	Excellent	Poor
Effect as an economic catalyst	Fair	Very Good	Excellent	Fair
Impact on future hotel development	Very Good	Very Good	Excellent	Poor

Source: PKF Consulting

PKF used an independent survey to gather data regarding the needs and location preferences for a conference center. The surveys targeted separate groups: the local community and potential group users. One of the key questions in each survey was in regards to location factors to help determine which site would be best to attract new meetings demand to the market.

The Chamber of Commerce sent a survey out to approximately 700 members; our survey resulted in a 15% sample. Most of the local community (68%) felt that a waterfront/view location in Rockport would be the best site with 71% specifically indicating the old HEB building and 29% indicating the waterfront in Rockport.

SITE CONCLUSIONS

To survey the potential users, PKF surveyed approximately 200 SGMP and TSAE members to determine their intentions in utilizing the Rockport-Fulton area for future events. The survey resulted in a 25% sample. The responses revealed that 71% of those surveyed indicated a waterfront location would be an important factor in selecting the area for meetings and events.

The goal of the City/County in developing a conference center is to support the tourism economy by attracting new group meeting demand into the area. This new demand accomplishes two objectives; 1) induces mid-week lodging demand to support the existing lodging community and 2) induces new spending dollars into the community to support new/expanded retail, restaurant and lodging developments.

Our site analysis above indicates a waterfront/view location (site B, C, D) is more likely to attract new group demand to the market. While site A has many positive attributes, it does not take advantage of the Rockport-Fulton area's primary attraction – the waterfront. Any site that provides waterfront views will maximize the economic impact potential of the proposed conference center.

Site D (Waterfront Fulton) offers excellent water views and offers the most convenient location to the existing restaurants and lodging facilities. However, due to the size of the available lots and surrounding land uses, it is limited in terms of future expansions and auxiliary development. It is critical that the site for the proposed conference center provide for future expansions because the majority of all conference centers need to be expanded within five to 10 years.

Site B and C are the two best sites to accomplish both goals of the community – support the lodging community midweek and act as a catalyst for complimentary tourism developments. We recognize that both of these sites have more complex land acquisition/lease issues that may delay the development. However, we believe that these two sites will provide the best long-term economic impact to the community.

RECOMMENDED FACILITIES

We analyzed our market research to determine the appropriate size and best location for a conference center development in Rockport-Fulton. We focused on the goals for the facility, current hospitality infrastructure, survey results pertaining to usage and data from the comparable facilities to determine the appropriate configurations for the proposed conference center. Key data that influenced our recommendations are bulleted below.

- Rockport-Fulton is recognized for its “New England” charm. The charm and quaintness of the community should be complimented with any future proposed development.

- Rockport-Fulton is a leisure destination and the waterfront and downtown ambience in both Fulton and Rockport are the attractions.

- Although the Rockport Fulton area is 35 miles from the Corpus Christi Airport, the drive time is similar to other convention markets in outlying metro areas (e.g., Plano, Granbury, Sugar Land, Kerrville, San Marcos, Galveston and Padre Island. The drive from Corpus to Rockport normally has very limited traffic or delays, an advantage over other markets.

- The distance from major metropolitan areas is similar to other secondary convention markets including Galveston, Fredericksburg, Bay City, Port Arthur and Longview. It is within a convenient driving range from San Antonio, Austin and Houston.

- The current infrastructure, both lodging and dining, limits the size of group business that can be attracted and successfully accommodated in the area.

- Seven available lodging facilities are positioned to support the group market. These facilities run approximately 65% occupancy during the first three quarters of the year and 50% in the fourth quarter. Based on these statistics, only 150 room nights would be available to host groups. Weekends are the high demand days and hotels will be hesitant to extend any discounted rooms over the weekends to attract groups to the convention center.

- Although meeting planners will book meetings in locations without a headquarters hotel, they prefer meetings which are accommodated under one roof. Most centers, that do not have an adjacent headquarters hotel, have a much larger mix of local events.

- Our sample survey of potential users revealed a strong interest in the Rockport-Fulton area for small to medium sized meetings. Most of the interested demand identified was for groups looking to Rockport-Fulton for educational meetings and board meetings ranging in size from 50 to 100. Almost all of the demand we identified was for groups of 400 or less.

- Our survey of the local community indicated that most of the residents would prefer a waterfront location and believe that it would be a key factor in bringing new group business to the market.

- Our survey of meeting planners indicated that a waterfront location would be an important component for selecting Rockport-Fulton for a meeting or event.

- There is unsatisfied social/banquet demand in the market. Weddings comprise the largest sector of this demand and they prefer waterfront banquet facilities.

The table below summarizes our recommendations for a conference facility in Rockport-Fulton area.

Recommended Facilities Aransas County Conference Center	
Location	• Waterfront Rockport (site C) or old HEB (site B)
Scope	• Total building size approximately 18,000 square feet • Total meeting space approximately 12,000 square feet • Largest Ballroom 10,000 square feet (800 banquet) • Ballroom divisible into three smaller sections • Large lobby entrance area with high ceilings to accommodate small exhibit area • Two breakout rooms of 1,200 square feet (100 banquet) each divisible into two smaller rooms • Fully equipped kitchen • Public space – storage, restrooms, etc • Outdoor patios for breaks and receptions • Site large enough to accommodate future expansion as community and supporting amenities expand
Development Costs	• With land approximately $4 million • Without land (land lease) $3 million
Funding Options	• 2% venue tax • Create a TIF district • Consider a public-private partnership for a convention hotel that would have the conference space on the lower level or in an attached adjacent facility
Target Markets	• Weekend Social - weddings and banquets • Mid-week – Texas state professional, government and non-professional associations for continuing education classes, board meetings and regional meetings. Corporate retreats and training meetings from the surrounding area, Corpus Christi, Victoria, and San Antonio.
Complimentary Developments	• Headquarters hotel • Restaurant development • Retail expansion in Heritage District stores • Area trolley or shuttle service

Source: PKF Consulting

SECTION VI

ESTIMATED CONFERENCE CENTER PERFORMANCE

PKF Consulting

METHODOLOGY

The proposed Events Center would offer approximately 12,000 square feet of meeting space with an additional outdoor patio and garden area. We have assumed a 10,000-square foot ballroom that is divisible into three separate rooms. While the exact size of the building and available square footages will be determined by the developer at a later date, we have proceeded with our Utilization Analysis and Estimated Operating Revenues based on these parameters. If the final design is different in size or configuration than we have recommended, variances in utilization will occur.

Our forecast is based on interviews with competitive meeting facilities and a review of comparable facilities in the area. Our utilization model estimates the number of events and average rental rates which are based on the market research that we conducted and summarized in this report.

ESTIMATED UTILIZATION

Based on a waterfront location, a Rockport conference center will be able to penetrate the group meetings market. The area is already a popular leisure destination and meeting attendees would view the destination favorable.

We project that the event center should be able to host five large meetings per year (150 to 200), approximately 15 board meetings and 15 educational conferences. We estimate the majority of the meetings demand to occur mid-week.

A waterfront facility will be attractive to the weddings market as evidenced by the performance of Paws and Taws and the Saltwater Pavilion. Although most weekends are busy for the hotels, the facility should be able to capitalize on banquet rental fees.

The table below estimates the usage for the conference center.

Events Center Usage Forecast

ROOM		SUN	MON	TUE	WED	THUR	FRI	SAT	TOTAL EVENTS	RENTAL RATES
Ballroom	Social	5	0	0	0	15	30	30		
	Civic/City	3	3	3	3	5	5	5		
	Events	3	3	3	3	3	0	0		
	Meetings	0	5	5	5	5	5	5		
	Consumer	0	0	0	0	0	0	0		
41.64%	TOTAL WE	0	0	0	0	0	40	40	80	$900
	TOTAL WD	11	11	11	11	28	0	0	72	$700
Three Sections	Social	5	5	5	5	0	5	5		
	Civic/City	0	15	25	25	15	5	5		
	Events	0	0	0	0	0	0	0		
	Meetings	10	10	20	20	10	5	5		
	Consumer	5	5	5	5	0	0	0		
18.26%	TOTAL WE	0	0	0	0	0	15	15	30	$500
	TOTAL WD	20	15	55	55	25	0	0	170	$300
Breakout Room										
Two Sections	Social	0	0	0	0	5	15	15		
	Civic/City	0	5	10	10	5	0	0		
	Events	0	0	0	0	0	0	0		
	Meetings	0	10	10	10	5	5	5		
	Consumer	0	0	0	0	0	0	0		
15.07%	TOTAL WE	0	0	0	0	0	20	20	40	$150
	TOTAL WD	0	15	20	20	15	0	0	70	$200
TOTAL		31	41	86	86	68	75	75	462	$208,400

Source: PKF Consulting

ESTIMATED REVENUE AND FINANCIAL SUMMARY

The revenue structure proposed for the event center is for rental income only with food and beverage provided by outside vendors. We reviewed the fees at comparable properties including projections from Noah's Properties (a new innovative executive conference center corporation) to determine the pricing guidelines and resulting revenues. Expenses were estimated based on data from the comparable facilities and our internal comparables on conference center performance.

Facility comparabels indicate that operatin expenses typically double the revenue for most public facilities. The gap is normally funded thorugh a protion of the HOT taxes (ranging from 15% to 50%).

Events Center Rental Fees

Room		Pricing
Ballroom	Weekend	$900
	Weekday	$700
Ballroom Section	Weekend	$450
	Weekday	$300
Breakout Room	Weekend	$200
	Weekday	$150
A.V. Rentals - Market Prices		
F&B Commission - 5%		

Source: PKF Consulting

Conference Center Financial Summary	
REVENUE	
Rental Revenue	$208,400
Catering Commission	$57,750
AV Equipment Rental	$23,000
TOTAL REVENUE	$289,150
EXPENSES	
Wage Expense	$200,000
Marketing Expense	$45,000
Maintenance	$20,000
Outside Services	$10,000
Utilities	$175,000
TOTAL EXPENSES	$450,000
GOP	-$160,850

Source: PKF Consulting

Underlying Inflation Assumption

An integral part of this analysis is the assumption as to future expectation of general inflation and the resulting impact on revenues and operating expenses. Once this assumption has been established, the impact of real rate increases, or escalations which are not expected to keep pace with inflation, can be addressed on an individual basis.

Because of the cyclical nature of business trends, we believe that the longer-term historical trends are most appropriate. In general, hotels tend to adapt in response to changes in costs by raising room rates. It should be noted that economists differ in their estimates of inflationary pressure in the foreseeable future, with many predicting continuing annual increases from 2.0% to above 5.0%. While the higher rates could be maintained in the short term, we feel that a longer-term perspective is appropriate, which would encompass both peaks and dips in inflationary pressures. Considering this, we have utilized an annual inflation rate of 3.0%.

SECTION VII

IMPACT ANALYSIS

PKF Consulting

ECONOMIC IMPACT

Total economic impact is a product of new direct and indirect spending within the local economy. New direct spending comes from construction wages paid and materials purchased in the local economy, in addition to spending related to conference center employment. Each new dollar spent (direct) has a multiplied effect on the economy in the form of increased revenues to local businesses, increased employment and increased wages (indirect). An example of this would be a retailer who hires more employees as a result of an increase in sales volumes. Each new employee is a new consumer who then re-spends the money within the local economy. Therefore, direct economic impacts are all expenditures that can be linked directly to construction and operations personnel, while indirect impacts are generated when these new dollars are re-spent within the local economy. These direct and indirect expenditures represent the total impact to the economy.

Our methodology of estimating impact was first to calculate all of the direct spending that would result from the construction and operation of the proposed conference center in Aransas County, Texas. We then employed the Regional Input-Output Modeling System (RIMS II) for Lafayette developed by U.S. Department of Commerce's Bureau of Economic Analysis. Based on these multipliers, we developed estimates for total economic impact, the increased wages to the area and the increased employment.

Economic Impact from Construction

Economic impact from the construction of the conference center comes in the form of wages paid to construction personnel as well as the purchase of construction materials. Total construction cost for the conference facility is estimated to be nearly $4 million based on an 18,000-square foot facility. We estimated that approximately 30% of the wages paid and construction materials purchased would originate within Aransas County. The following table uses the multipliers supplied by the RIMS II model for Aransas County to estimate economic impact resulting from construction.

Aransas County Conference Center Economic Impact from Construction		
Total Construction Cost[1]		$4,000,000
Cost Generated From Within Aransas County	30%[2]	$1,200,000
Output - represents the dollar increase in area output for every dollar increase in direct spending	1.4251	$1,710,120
Wages - represents the dollar increase in area household income for every dollar increase in direct spending	0.4593	$551,160
Total Economic Impact From Construction		$2,261,280
Jobs - represents the increase in area jobs for every $1 million in direct spending	11.7547	14 Jobs

[1] Comparable facilities

[2] According to local developers

Multiplier Source: US Department of Commerce - Bureau of Economic Analysis

Economic Impact From Operations

Direct economic impact from the operation of the proposed conference center is generated by the creation of jobs and paying of wages to the employees of the proposed facility. For purposes of economic impact, we have considered the catering operation and complimentary services from outside sources as part of the overall revenues associated with the conference center. According to our comparables, a conference facility would have payroll costs of approximately 30% of its total revenue. As much as 30% of these wages are typically withheld for taxes and savings and are not spent, which leaves 70% of these wages to be spent on household products and services.

After calculating the amount spent by employees in the local economy, we then applied the multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis. Indirect impact occurs when the industries that produce these products and deliver these services hire more persons and pay more wages. The economic impact from operations is presented in the following table.

Aransas County Conference Center Economic Impact From Operations							
		Total Payroll[1]	Taxes &	Amount Spent	Economic Impact		Total Impact
	Total	(30% of	Savings - (30%	In Local	Output[2]	Wages[2]	From
	Revenue[1]	Total Revenue)	of Payroll)	Economy	1.3196	0.3079	Operations
2011	$1,800,000	$540,000	$162,000	$378,000	$498,809	$116,386	$615,195
2012	$1,854,000	$556,200	$166,860	$389,340	$513,773	$119,878	$633,651
2013	$1,909,620	$572,886	$171,866	$401,020	$529,186	$123,474	$652,660
2014	$1,966,909	$590,073	$177,022	$413,051	$545,062	$127,178	$672,240
2015	$2,025,916	$607,775	$182,332	$425,442	$561,414	$130,994	$692,407
2016	$2,086,693	$626,008	$187,802	$438,206	$578,256	$134,924	$713,180
2017	$2,149,294	$644,788	$193,436	$451,352	$595,604	$138,971	$734,575
2018	$2,213,773	$664,132	$199,240	$464,892	$613,472	$143,140	$756,612
2019	$2,280,186	$684,056	$205,217	$478,839	$631,876	$147,435	$779,311
2020	$2,348,592	$704,578	$211,373	$493,204	$650,832	$151,858	$802,690
Total	$20,634,983	$6,190,495	$1,857,148	$4,333,346	$5,718,284	$1,334,237	$7,052,521

[1]PKF Comparable Conference Facilities and comparable facilites operations analysis, includes center revenues, catering & other services

[2]Multiplier Source: US Department of Commerce - Bureau of Economic Analysis

Source: PKF Consulting

Total Economic Impact

The following table summarizes the economic impact of the proposed Aransas County Conference Center beginning with construction in 2010 through the proposed facilities first 10 years (2011 through 2020) of operations.

Aransas County Conference Center Total Economic Impact			
	Estimated Economic Impact		
Year	From Construction	From Operations	Total Economic Impact
2010	$2,261,280	--	$2,261,280
2011	--	$615,195	$615,195
2012	--	$633,651	$633,651
2013	--	$652,660	$652,660
2014	--	$672,240	$672,240
2015	--	$692,407	$692,407
2016	--	$713,180	$713,180
2017	--	$734,575	$734,575
2018	--	$756,612	$756,612
2019	--	$779,311	$779,311
2020	--	$802,690	$802,690
Total	$2,261,280	$7,052,521	$9,313,801

Source: PKF Consulting

HOTEL OCCUPANCY TAX

Tax revenues will be generated on hotel occupancy taxes generated by conference attendees utilizing local hotel accommodations. In addition, sales taxes will be realized from the operational revenue (food and beverage, rental fees) and additional area spending provided from the facilities total economic impact.

Lodging Market Projections with the Conference Center

We projected five years of market performance based on the new demand generated from the conference center for the period of 2010 to 2013, assuming an opening date of 2011.

Competitive Market
Estimated Future Growth in Lodging Supply and Demand With Conference Center
2008 - 2013

	2008	2009	2010	2011	2012	2013
Total Annual Rooms Supply	556,260	556,260	556,260	570,860	570,860	570,860
Total Market Demand	233,400	243,600	250,000	264,100	284,200	305,400
Growth Over Prior Year	N/A	4.4%	2.6%	5.6%	7.6%	7.5%
Market Occupancy	**42%**	**44%**	**45%**	**46%**	**50%**	**53%**

Source: PKF Consulting

The conference center is expected to induce approximately 15,000 room nights of new demand to the area during the 2011 to 2013 projection period. These room nights are a result of lodging accommodations required by the large meetings, board meetings, educational conferences and weekend events at the conference center. After the five year projection period, we have estimated a 2% increase to account for growth.

Hotel Occupancy Tax Projections

A 2% venue tax will also be a new source of tax revenue that we have applied to our projections beginning in July 2010. The following table summarizes the potential market occupancy taxes for the first 10 years of hotel operations.

Hotel Market with Aransas County Conference Center
Potential Hotel Occupancy Tax Revenues

Year	Current Revenue without center	Taxable Revenue Without Center 17% tax exempt	HOT without center	Revised Revenue with center	Taxable Revenue With Center 15% tax exempt
2010	$18,225,000	$15,126,750	$1,058,873	$18,225,000	$15,126,750
2011	$20,202,000	$16,767,660	$1,173,736	20,856,000	$17,727,600
2012	$21,280,000	$17,662,400	$1,236,368	23,004,000	$19,553,400
2013	$22,113,000	$18,353,790	$1,284,765	24,095,000	$20,480,750
2014	$22,555,260	$18,720,866	$1,310,461	$24,576,900	$20,890,365
2015	$23,006,365	$19,095,283	$1,336,670	$25,068,438	$21,308,172
2016	$23,466,493	$19,477,189	$1,363,403	$25,569,807	$21,734,336
2017	$23,935,822	$19,866,733	$1,390,671	$26,081,203	$22,169,022
2018	$24,414,539	$20,264,067	$1,418,485	$26,602,827	$22,612,403
2019	$24,902,830	$20,669,349	$1,446,854	$27,134,883	$23,064,651
2020	$25,400,886	$21,082,736	$1,475,791	$27,677,581	$23,525,944
Total		$216,451,947	$15,057,985	$285,919,139	$237,558,518

[1] PKF Market projections 1st five years, 2% inflation thereafter, which was validated with Texas Comptroller Quarterly County Hotel Tax Revenues
[2] Hotel Occupancy Tax Proposed Venue Tax, assumes that the Venue Tax would be collected beginning in July 2010

Source: PKF Consulting

Hotel Market with Aransas County Conference Center
Potential Hotel Occupancy Tax Revenues

Year	Incremental Revenue	Incremental Current Tax Benefits (7%)	Venue Tax Revenue (2%)	Total Tax Revenue Differential With Conference Center
2010	$0	$0	$151,268	$151,268
2011	$959,940	$67,196	$354,552	$421,748
2012	$1,891,000	$132,370	$391,068	$523,438
2013	$2,126,960	$148,887	$409,615	$558,502
2014	$2,169,499	$151,865	$417,807	$569,672
2015	$2,212,889	$154,902	$426,163	$581,066
2016	$2,257,147	$158,000	$434,687	$592,687
2017	$2,302,290	$161,160	$443,380	$604,541
2018	$2,348,336	$164,383	$452,248	$616,632
2019	$2,395,302	$167,671	$461,293	$628,964
2020	$2,443,208	$171,025	$470,519	$641,543
Total	$21,106,572	$1,477,460	$4,412,600	$5,890,060

Source: PKF Consulting

SALES TAX

The following table summarizes the potential sales taxes generated by the conference center. The table presents the total economic impact as well as the taxable revenues realized for the City of Rockport from the operation of the facility (room rental, food and beverage, etc.).

Aransas County Conference Center
Potential Sales Tax Revenues

Year	Conference Center Revenue	Total Economic Impact	Potential Sales Tax Revenues Total (2%)
2010	--	$2,261,280	$45,226
2011	$1,800,000	$615,195	$12,304
2012	$1,854,000	$633,651	$12,673
2013	$1,909,620	$652,660	$13,053
2014	$1,966,909	$672,240	$13,445
2015	$2,025,916	$692,407	$13,848
2016	$2,086,693	$713,180	$14,264
2017	$2,149,294	$734,575	$14,692
2018	$2,213,773	$756,612	$15,132
2019	$2,280,186	$779,311	$15,586
2020	$2,348,592	$802,690	$16,054
Total	$20,634,983	$9,313,801	$186,276

Source: PKF Consulting

TANGIBLE ECONOMIC IMPACT SUMMARY

The table below reflects the impact the proposed Aransas County Conference Center will have on the community over the period 2010 through 2020.

Economic Impact Summary
2010 - 2020 Aransas County

Category	Amount
Economic Impact	
From Construction	$2,261,280
From Operations	$7,052,521
Hotel Occupancy Tax	$5,890,060
Sales Tax Revenues	$186,276

Source: PKF Consulting

INTANGIBLE ECONOMIC IMPACT

In addition to the tangible economic impacts presented above, the development of the proposed Aransas County Conference Center would also provide an intangible economic impact, which can manifest itself in many different ways. For example, the new source of meeting demand provides a different customer base for local dining facilities and retail operations. Industry studies estimate that conference attendees spend approximately $65 on daily expenditure (outside of transportation and lodging). This demand will support your tourism infrastructure and help market the area to new and expanding retail and restaurant operations. In addition, these attendees will be introduced to your destination and may very well return for family vacations or other leisure activities.

We have referenced the importance of the waterfront location throughout our study. A waterfront location in or around the Heritage District would be a catalyst to auxiliary tourism developments. Rockport-Fulton is a tourist destination and if the site for the proposed conference center is located on the waterfront, the development will likely attract new hotels and attractions. These amenities will further enhance the experience of families and fishing groups that comprise the markets strongest demand source.

Rockport-Fulton also has a residential base that has available funds for spending in the local community. The community would likely spend more locally if the retail, dining and entertainment developments provided more variety and quality.

ADDENDUM A

AREA MAP

PKF Consulting

Primary Supply
1 Hampton Inn & Suites
2 Holiday Inn Express
3 Inn at Fulton Harbor
4 Kontiki Beach Resort
5 Laguna Reef Resort
6 Lighthouse Inn
7 Pelican Bay Resort
Site Locations
A Old Wal-Mart Site
B Old HEB Site
C Waterfront Rockport
D Waterfront Fulton
D1 Across from Lighthouse Inn
D2 Adjacent to Paws and Taws
Aransas County Airport
Silverleaf Ln
Farm to Market Rd 1781
Airport Rd
Copano Ridge Rd
Salt Lake
Spanish Woods Dr
W Myrtle St
W Mesquite St
Chaparral St
N Fulton Beach Rd
Cactus St
Fulton
Ling Rd
Allen M Parks Dr
Salt Lake Rd
Old Salt Lake Rd
Rattlesnake Point Rd
Farm to Market Rd 2165
Farm to Market Rd 1781
Memorial Park
Rath St
Broadway St
Bay Shore Dr
Little Bay
Aransas Bay
Cape Valero Dr
N Pearl St
Farm to Market 1069
Port Bay Rd
Griffin Dr
Rockport
S Bronte St
S Church St
W Corpus Christi St
Ann St
35
70

ADDENDUM B

CHAMBER AND ASSOCIATION SURVEY RESULTS

PKF Consulting

Community Survey

Rockport/Fulton Conference Center

1. What is the name of your organization/company?	
	Response Count
	101
answered question	**101**
skipped question	**6**

2. Which term best describes your organization/company?		
	Response Percent	Response Count
Visitor Attraction	3.9%	4
Service Industry - Retail, Restaurant, Hotel	**37.9%**	**39**
Business/Corporation	28.2%	29
Club/Community Organization	5.8%	6
Government	5.8%	6
Other	18.4%	19
answered question		**103**
skipped question		**4**

3. What type of event is your organization/company likely to hold at a conference center? (check all that apply according to frequency)						
	Never	Weekly	Monthly	Annually (1-3)	Annually (More than 3)	Response Count
A. Gala/Banquet Event	**60.6% (43)**	0.0% (0)	0.0% (0)	28.2% (20)	11.3% (8)	71
B. Meeting/Training	**41.3% (31)**	0.0% (0)	10.7% (8)	40.0% (30)	8.0% (6)	75
C. Trade/Consumer Show	**66.7% (44)**	0.0% (0)	0.0% (0)	25.8% (17)	7.6% (5)	66
D. Convention	**79.3% (46)**	0.0% (0)	0.0% (0)	12.1% (7)	8.6% (5)	58
E. Other Social Event	**48.5% (33)**	0.0% (0)	0.0% (0)	44.1% (30)	7.4% (5)	68
					answered question	**93**
					skipped question	**14**

4. What is the typical size of the event(s) held by your organization/company?						
	<50	50-100	100-200	200-400	> 400	Response Count
A. Gala/Banquet	**50.0% (22)**	25.0% (11)	15.9% (7)	9.1% (4)	0.0% (0)	44
B. Meeting/Training	**78.6% (44)**	17.9% (10)	3.6% (2)	0.0% (0)	0.0% (0)	56
C. Trade/Consumer Show	**45.7% (16)**	17.1% (6)	17.1% (6)	8.6% (3)	11.4% (4)	35
D. Convention	**51.7% (15)**	6.9% (2)	17.2% (5)	10.3% (3)	13.8% (4)	29
E. Other Social Event	**50.0% (25)**	22.0% (11)	20.0% (10)	8.0% (4)	0.0% (0)	50
					answered question	**83**
					skipped question	**24**

5. What is the typical block of hotel rooms you would need for your organization/company event?

	Response Percent	Response Count
None	**62.8%**	**59**
Fewer than 40 rooms	23.4%	22
Between 40 and 75 rooms	7.4%	7
Between 75 and 200 rooms	4.3%	4
Greater than 200 rooms	2.1%	2
	answered question	**94**
	skipped question	**13**

6. Where do you currently hold your meetings/events? (Check all that apply)

	Response Percent	Response Count
Rockport Country Club	20.6%	13
Paws and Taws	27.0%	17
Saltwater/Beachfront Pavillion	30.2%	19
Local high school	7.9%	5
Local hotel/restaurant	**41.3%**	**26**
Aransas Pass Conference Center	7.9%	5
Outside the Rockport/Fulton Area	38.1%	24
	Other (please specify)	32
	answered question	**63**
	skipped question	**44**

7. If you have events outside of the area, where do you hold them?		
		Response Count
		45
	answered question	**45**
	skipped question	**62**

8. If Rockport/Fulton built a conference center, could you influence any groups to meet here?			
	Yes	No	Response Count
A. Are you an active member of an association or club?	**85.2% (75)**	14.8% (13)	88
B. Does the organization hold events?	**87.8% (72)**	12.2% (10)	82
C. Would you consider sponsoring or hosting that event locally?	**83.5% (66)**	16.5% (13)	79
D. Do you think your association or club would consider Rockport/Fulton?	**86.1% (68)**	13.9% (11)	79
		answered question	**89**
		skipped question	**18**

9. The primary goal for a conference center development is to increase the mid-week meetings market to support and grow the tourism industry. Where is the best location for a conference center that would achieve this goal while also supporting the needs of the local community?

	Response Percent	Response Count
Waterfront Rockport	18.4%	18
Waterfront Fulton Harbor	7.1%	7
Downtown Rockport - old HEB building	**50.0%**	**49**
Highway 35 - old Walmart building	21.4%	21
Other	3.1%	3
	answered question	**98**
	skipped question	**9**

10. Please provide any comments or suggestions you may have here.

	Response Count
	50
answered question	**50**
skipped question	**57**

Potential User
Survey

Rockport/Fulton Conference Center Planner Survey

1. What is the name of your organization/association?	
	Response Count
	48
answered question	48
skipped question	1

2. Are you familiar with the Rockport/Fulton area?		
	Response Percent	Response Count
Yes	77.1%	37
No	22.9%	11
answered question		48
skipped question		1

3. Do you have meetings or events that you would consider placing in the Rockport/Fulton area provided they had the appropriate meeting facilities?			
	Yes	No	Response Count
A. Board Meeting	78.4% (29)	21.6% (8)	37
B. Annual Meeting	48.6% (17)	51.4% (18)	35
C. Trade or Consumer Show	19.2% (5)	80.8% (21)	26
D. Educational Conference	63.2% (24)	36.8% (14)	38
E. Other Event	63.3% (19)	43.3% (13)	30
answered question			48
skipped question			1

4. What is the typical size of the event(s) held by your association?

	<50	50-100	100-200	200-400	>400	Response Count
A. Board Meeting	**92.5% (37)**	7.5% (3)	0.0% (0)	0.0% (0)	0.0% (0)	40
B. Annual Meeting	5.3% (2)	10.5% (4)	15.8% (6)	21.1% (8)	**47.4% (18)**	38
C. Trade or Consumer Show	0.0% (0)	0.0% (0)	11.1% (2)	16.7% (3)	**72.2% (13)**	18
D. Educational Conference	21.6% (8)	**24.3% (9)**	**24.3% (9)**	8.1% (3)	21.6% (8)	37
E. Other Event	**37.0% (10)**	22.2% (6)	18.5% (5)	11.1% (3)	11.1% (3)	27
					answered question	49
					skipped question	0

5. What is the typical block of hotel rooms you would need for your event(s)?

	None	<50 rooms	50 to 100	100 to 200	>200 rooms	Response Count
A. Board Meeting	13.2% (5)	**78.9% (30)**	7.9% (3)	0.0% (0)	0.0% (0)	38
B. Annual Meeting	2.7% (1)	8.1% (3)	18.9% (7)	16.2% (6)	**54.1% (20)**	37
C. Trade or Consumer Show	5.3% (1)	5.3% (1)	10.5% (2)	5.3% (1)	**73.7% (14)**	19
D. Educational Conference	5.7% (2)	**37.1% (13)**	20.0% (7)	17.1% (6)	20.0% (7)	35
E. Other Event	12.0% (3)	**48.0% (12)**	24.0% (6)	8.0% (2)	8.0% (2)	25
					answered question	49
					skipped question	0

8. Which SITE ATTRIBUTES for the proposed Rockport/Fulton conference center would most likely influence you?

	Postive Influence	Not a Factor	Negative Influence	Response Count
A. Waterfront	**71.7% (33)**	28.3% (13)	0.0% (0)	46
B. Off-water, business corridor	19.1% (9)	**66.0% (31)**	14.9% (7)	47
C. Proximity to attractions/group activities	**76.6% (36)**	23.4% (11)	0.0% (0)	47
D. Proximity to restaruants/shopping	**89.4% (42)**	10.6% (5)	0.0% (0)	47
E. Proximity to hotels	**91.5% (43)**	8.5% (4)	0.0% (0)	47
			answered question	**48**
			skipped question	**1**

9. The Rockport/Fulton area offers a variety of unique lodging options within five miles of the proposed conference center, would you find this acceptable to accommodate your group?

		Response Percent	Response Count
Yes		**61.2%**	**30**
No		38.8%	19
		answered question	**49**
		skipped question	**0**

10. Please provide any comments or suggestions you may have here.

	Response Count
	22
answered question	**22**
skipped question	**27**

ADDENDUM C

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

PKF Consulting

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

The following Standard Conditions apply to real estate consulting assignments by PKF Consulting:

Achievability of Projections - Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore actual results achieved during the period under study will vary from our estimates and the variations may be material.

Archaeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archaeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archaeological significance.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Dissemination of Material - Neither all nor any part of the contents of this report (including the identity of the consultant or PKF Consulting) shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of PKF Consulting.

Distribution and Liability to Third Parties - The party for whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without the written consent of PKF Consulting. Liability to third parties will not be accepted.

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical, or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Income Data Provided by Third Party - Income and expense data related to the property being appraised was provided by the client and is assumed, but not warranted, to be accurate.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS
(Continued)

Information Furnished by Others - In preparing the report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Legal Expenses – Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

Legal Matters - No opinion is intended to be expressed for matters that require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Licenses and Permits - Unless otherwise stated, the property is evaluated assuming that all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the analysis contained in this report is based.

Limits of Liability - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

Obligation to Update Report - The report will be dated to coincide with our last day of fieldwork. The terms of this engagement are such that we have no obligation to update our estimates to reflect events or conditions which occur subsequent to the last day of our fieldwork. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the project.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of PKF Consulting, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose.

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this report, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

Use in Offering Materials - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation may not be reproduced or references made to the report or to PKF Consulting in any sales offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

Zoning and Land Use - Unless otherwise stated, the subject property is evaluated assuming it to be in full compliance with all applicable zoning and land use regulations and restrictions.

ADDENDUM D

CERTIFICATION

PKF Consulting

CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the project that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon the developing or reporting of predetermined results.
- Our compensation is not contingent upon the development or reporting of predetermined results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
- We have made a personal inspection of the proposed site that is the subject of this report.
- No one provided significant professional assistance to the persons signing below except as sourced within the body of this report.

G. Randle McCaslin	***Lisa Swain***
Vice President / Practice Leader	Associate