

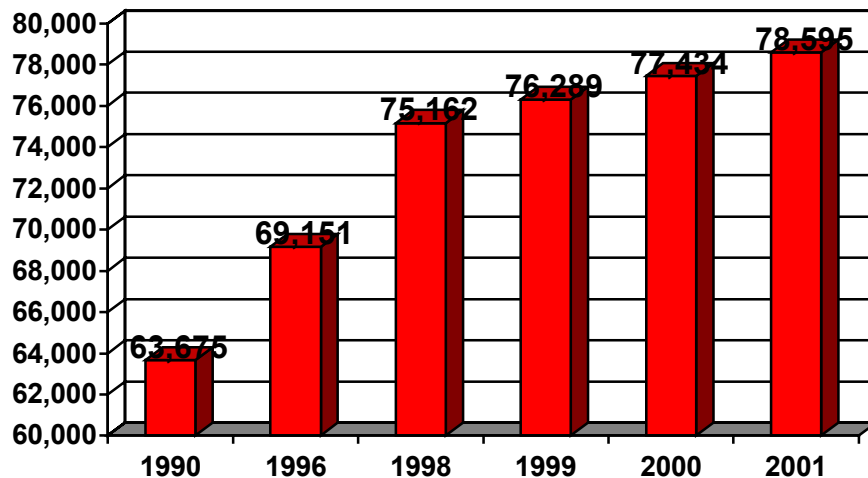
## Section I

### EXECUTIVE SUMMARY

A growth in population and employment, the real estate market, and current and potential development activity all point to a strong and healthy economy in the East End. The location of the East End in relation to all modes of transportation, cultural and sporting venues, education establishments, and employment opportunities increases the area's value and opportunity potential. Realizing this value and potential will be a challenge for the East End Management District. Communication with the businesses and landowners will be key. Addressing and initiating programs to confront the challenges should be the District's priority, along with focusing on the many benefits and qualities of the area.

The East End's local economy, based upon available data, is fundamentally very healthy. Employment continues to increase, vacancy rates for all categories of real estate are low, and re-investment and new investment in the area are widespread and substantial. Employment growth for the Greater East End for the past decade shows a gradual and steady increase from 63,675 employees in 1990 to 78,595 in 2001, a 20% increase during that time.

**East End Employment, 1990-2001**



Source: U.S. Census Bureau.  
Prepared by: Economics Research Associates; March; 2002

Vacancy rates for industrial space in the East End averages at 5%, compared to Houston’s vacancy rate of 8%. Investors with properties in the East End have stated they invest in the East End because of the low property values, typically 15% lower than Houston’s average. Central City Industrial Park, a \$20 million conversion of a Baker Hughes facility into an industrial park that has remained 100% leased since 1995, and the Gulfgate Mall redevelopment, the redevelopment of an existing retail center totaling \$70 million in investment by Wulfe & Co., are two of the largest re-investments into the area. Other new East End investments include the Alexan Lofts development by Trammel Crow and the Uncle Ben’s Rice plant conversion by Cadeco Coffee.

The scope of the economic activities in or near the East End is not fully appreciated by the community. By way of example, the employment in the East End is equal to the 28th largest central business district in the United States. If the East End is placed on a list of the highest central business district employment numbers based on the 1990 Census, the East End would rank above San Antonio, Fort Worth, Miami, and Salt Lake City.

<b>Central Business Districts Ranked by Employment, 1990</b>		
<b>Rank</b>	<b>Central Business District</b>	<b>CBD Employment</b>
1	New York	1,733,269
2	Chicago	336,313
9	Houston	127,759
13	Dallas	112,452
20	New Orleans	93,292
27	Charlotte	68,368
<b>28</b>	<b>East End</b>	<b>63,675</b>
29	Kansas City	56,901
32	San Antonio	47,651
33	Salt Lake City	46,078
34	Miami	41,214
48	Ft. Worth	29,041
Source: www.demographia.com, Wendell Cox Consultancy		
Prepared by: Economics Research Associates; March; 2002		

The locational attributes of the East End associated with access to major transportation infrastructure that made the area so attractive one hundred years ago remain in place, augmented by an elaborate freeway/tollroad system and a substantially upgraded port operation.

- All four of the major Houston highways border the East End.
- In November 1999, Harris County voters approved a \$387 million bond for the construction of the Bayport terminal container and cruise ship facility and the Port of Houston Authority is also in the early planning stages of a project cargo dock in the turning basin.
- The railroad system, albeit posing certain traffic problems, remains a vital asset.
- Hobby Airport has re-emerged as a vital aviation resource, carrying over 9 million passengers in 2000 and 14 million pounds of cargo.

Moreover, the close proximity to downtown Houston and the area's universities, the George R. Brown Convention Center, cultural facilities and professional sports facilities make the East End attractive for residential as well as employment opportunities. In a survey of East End business owners and managers, 20.4% stated that the primary reason their business is located in the East End is due to the access to transportation and 11.1% ascertained the reason to be the proximity to the workforce.

<b>Location Reason</b>		
<b>Reason</b>	<b>Total</b>	<b>%</b>
<b>Cost</b>	9	16.7%
<b>Customers</b>	22	40.7%
<b>Historical</b>	13	24.1%
<b>Price of Real Estate</b>	11	20.4%
<b>Suppliers</b>	6	11.1%
<b>Workforce</b>	6	11.1%
<b>Transportation</b>	11	20.4%
<b>Other</b>	9	16.7%

Prepared by: Economics Research Associates; March; 2002

It is somewhat remarkable that, unlike many older industrial areas in other communities in the US, the East End is as relevant today as it was one hundred years ago.

The development renaissance occurring in and near downtown Houston is also beginning to occur in areas of the East End closest to downtown. At the end of 2001, the downtown area had \$2.77 billion in construction projects and an additional \$447 million in pre-construction projects. Significant new residential development activity is occurring in the East End. The building of Astro's Field (formerly Enron Field) spurred the

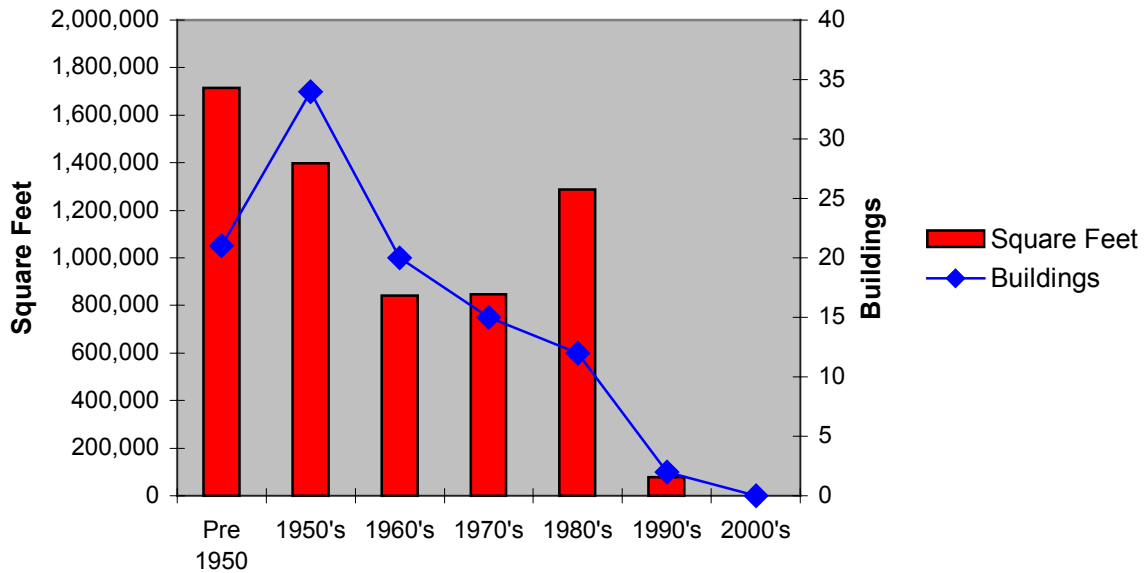
Lofts at the Ballpark residential project, the first downtown development to cross Highway 59. In December 2001 Trammel Crow Residential purchased the El Mercado del Sol site to redevelop as the Alexan Lofts, and the vacant property on the site was sold to Perry Homes which is planning a townhome community. The older subdivisions in the Lockwood area are experiencing renewed interest, a resurgence of renovation of its pre-WWII bungalows. The real estate development community is communicating its interest in the East end through its attendance at promotional events, inquiries being made about development opportunities, such as the Historic Preservation Tour, hosted by Wulff Company and sponsored by the Greater Houston Preservation Alliance. In November of 2001, roughly 60 Houston real estate professionals attended this tour of historic downtown and East End properties with great interest in their development potential.

The composition of development activity and land uses within the East End will be changing over the next several decades, especially along the Buffalo Bayou corridor. The Buffalo Bayou plan currently under development is focusing a great deal of attention along the banks of the Bayou, especially from Lockwood toward the CBD. In this sector, properties along the banks of the Bayou will undoubtedly begin shifting from industrial and warehousing uses to more upscale mixed use urban uses such as waterfront residential, retail and office. The likelihood that this set of influences will occur sooner than later is increased by the availability of the large land assembly associated with the former Brown and Root headquarters and the priority of the Buffalo Bayou plan is assigning to this sector. These influences will generate demand for and construction of Class A office and retail space in the East, the two segments under represented currently.

The major challenges confronting the East End are associated with two issues:

- aging and functionally obsolete transportation infrastructure, and;
- absence of the development and availability of new industrial/warehouse facilities.

## East End Industrial Space by Decade Built



Source: Houston Industrial and Retail Guide, MARCOA Publishing  
 Prepared by: Economics Research Associates; March; 2002

Both problems are merely chronic and can be readily managed with some sustained leadership and focus by local employers and the East End Management District. On the other hand, they are serious problems and have remained un-addressed for far too long. They should be THE near-term priorities of the area.

One of the great benefits of the East End for many employers is the nexus effect of the location:

- excellent transportation access,
- combined with low rental rates for facilities,
- proximity to a large semi-skilled workforce and to excellent academic and recreational resources.

These qualities should be prominently featured in any discussions of the East End.

The greatest near-term challenge for the Greater East End Management District is the development of effective methods to communicate with the employers and landowners in the District. There is not a tradition of active interaction among these entities. Obtaining and

maintaining accurate and sufficient information regarding contact names within the locations, and then developing information channels that reach these individuals, has proven quite difficult. The District will need to make a concentrated effort to obtain the names of the parties within each major location responsible for proper management, security, human resources, and community involvement. The senior employee at each location should be on file, in combination with comprehensive contact information. E-mail access to these individuals needs to be established and utilized.

The efforts of the District need to be communicated and appreciated. The security patrols funded by the East End have no identification or logos on the cars that suggest the connection to the East End Management District. Thus, one of the most important services provided by the District is not being attributed to the District by many of the area's employers. The ability of the District to secure area-wide support for new initiatives is much more difficult unless the area employers have a good understanding and positive appreciation of the District's activities.

The current economic development support initiative will be an excellent platform for launching a more comprehensive information dissemination and communications program with and among the District's taxpayers and business tenants. An abundant amount of useful market information will be readily accessible on the District's website. The ability of the District to make ratepayers aware of this information and utilize it in their individual businesses will be demonstrated.

Finally, it is clear that a leadership vacuum currently exists with regard to the issues of infrastructure improvements and East End business facility development. The District's Board and staff can be very instrumental in bringing attention to both of these matters. The District can be very helpful in accelerating the timeframe within which these problems will get the attention they require.