



Downtown Area Development Plan (DADP)  
**Development Incentive Choices**



Council Presentation  
February 10, 2015



# Agenda



- Purpose of Planning
- DADP Process & Status
- DADP Goals & the Role of Incentives
- Where Incentives Make A Difference
- Existing Downtown Area Incentives
- Policy Choices
- Questions/Discussion





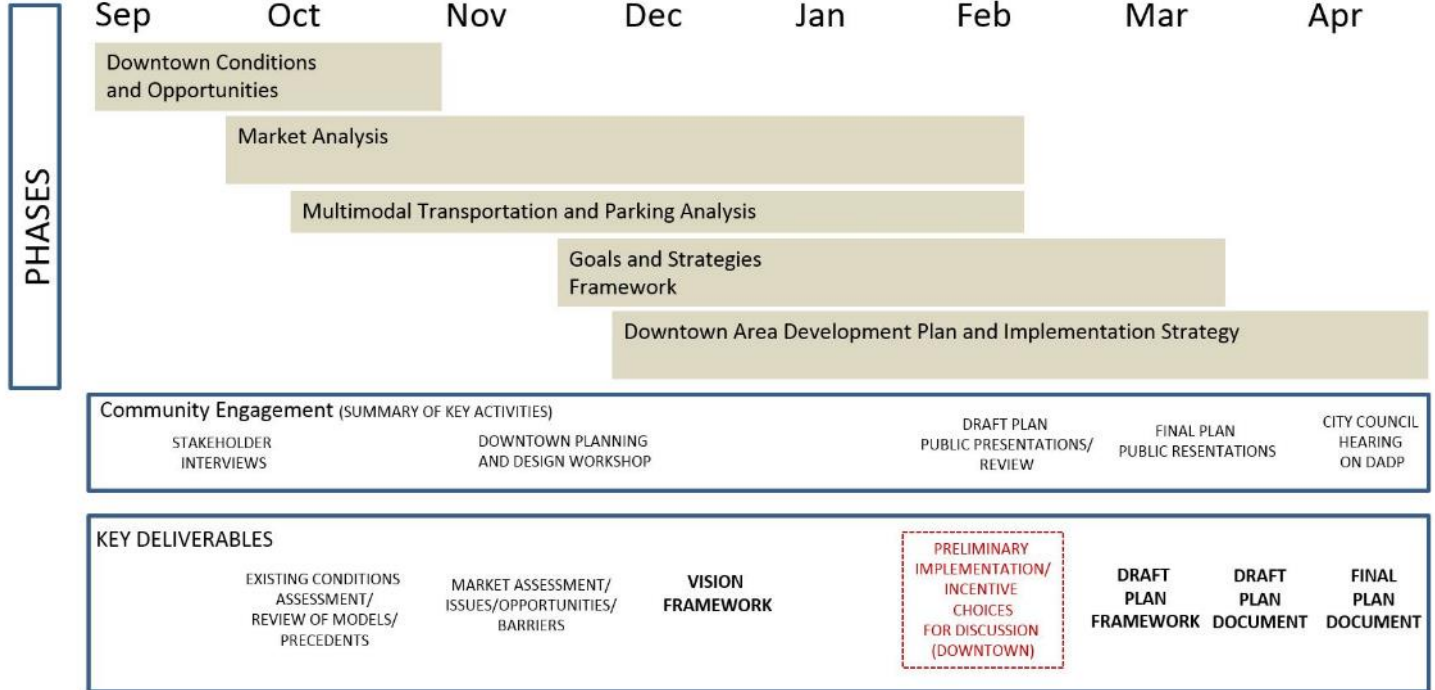
# Planning



- Purpose/Importance of Planning
  - Legal Requirement
  - Guide for decision-making for physical/economic development
  - To coordinate efforts amongst City departments and with major partners
- Current Planning Efforts
  - Plan CC - Comprehensive Plan 2035
  - Downtown Area Development Plan



# Process & Status





# DADP Goals



- Reinforce Corpus Christi as a signature destination to **live, work, and play** while being **safe, connected, and vibrant**
- Overcome barriers to private investment
- Leverage past/ongoing public and private investments



November 18 public workshop



# DADP Goals



- Housing will drive Downtown transformation
- Market Potential:  
**1,850 units possible over 5 years in downtown**
  - Primarily multifamily units;
  - Mix of rental and ownership;
  - Important to attract and retain critical workforce;
  - Benefits to retail, visitor, office economies
- Requires appropriate incentive policy
- Desire to live in Downtown doesn't necessarily mean developer can feasibly build a project





# Why Incentives?



- To address feasibility gaps in desired development projects

## Example 165-unit multi-family Downtown development project

Net Operating Income	\$2,226,979
Total Development Cost	\$34,615,698
Yield on Investment	6.43%
<b>Minimum Threshold</b>	<b>6.75%</b>

- To support community goals, such as Downtown housing



# City Incentives/ Funding Vehicles

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- Property Tax Abatement
  - Tax Increment Reinvestment Zones
  - Public Improvement District (DMD)
  - Type A Funds
  - Various Local Government Corporations
  - Chapter 380 Agreements
  - City's Capital Improvement Plan
  - Development Services Expedited Reviews/ Approvals
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# Property Tax Abatement Program



- Tax from Improvement Value abated for specific term
- Targets
  - Certain **commercial facilities**, based on capital investment and new jobs
  - **Downtown multifamily housing**
- Projects that satisfy criteria are eligible, **easy to administer**
- Projects that do not satisfy criteria (like a hotel) are not eligible, **lacks flexibility**
- City's **primary, project-based incentive**





# Tax Increment Reinvestment Zone



- Zone where **property tax increment** may be **re-invested** to achieve plan objectives
- TIRZ **reinvestment options** include:
  - Taxes can be **rebated** to reduce project costs
  - Taxes can be **invested** on a **pay-as-you-go** basis
  - Taxes can be **leveraged** through a bond **to support capital investment**
- **Flexibility** on type of incentive and eligible projects
- **Underutilized investment opportunity**
- Project plan is underway





# Other Existing Downtown Area Incentives

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## Additional forms of incentives:

- Public Improvement District (DMD) – *marketing, security, cleanliness, events/programming*
  - Type A funds – *economic development, affordable housing*
  - Various Local Government Corporations – *housing*
  - Chapter 380 Agreements – *commercial development*
  - City's Capital Improvement Plan – *infrastructure*
  - Development Services expedited review/ approvals
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# Major Policy Choices Inside and Outside the TIRZ



1. Eligible Project Types
2. Tax Relief
3. “By-right” vs. “Needs-based” Approach





# Major Policy Choices Inside the TIRZ



1. Eligible Project Types
2. Tax Relief
3. “By-right” vs. “Needs-based” Approach





# Eligible Project Types



Policy Choices	Benefits	Issues
<b>Multifamily Housing &amp; Capital Investment/Job-Creating Projects</b> <i>current policy</i>	<ul style="list-style-type: none"><li>• Targets current housing opportunity.</li><li>• Promotes economic development.</li></ul>	<ul style="list-style-type: none"><li>• Lacks hotel/multi-tenant office incentive.</li></ul>
<b>Multifamily Housing &amp; Capital Investment/Job-Creating Projects <u>Plus Additional Project Types</u></b>	<ul style="list-style-type: none"><li>• Broadens eligible project types.</li><li>• Encourages targeted mixed-use development.</li></ul>	<ul style="list-style-type: none"><li>• Need to identify additional project types.</li></ul>
<b>Any Appropriate Project</b>	<ul style="list-style-type: none"><li>• No need to require certain project types.</li><li>• Encourages mixed-use development.</li></ul>	<ul style="list-style-type: none"><li>• Need to prevent excessive outlays.</li></ul>



# Tax Relief



Policy Choices	Benefits	Issues
<b>Tax Abatement</b>  <i>current policy</i>	<ul style="list-style-type: none"><li>• Effectively incentivizes housing.</li><li>• Developers familiar with program.</li><li>• Easy to administer.</li></ul>	<ul style="list-style-type: none"><li>• Reduces TIRZ funds for capital/infrastructure.</li></ul>
<b>Tax Rebate</b>	<ul style="list-style-type: none"><li>• Access to more funds, higher-impact incentive.</li></ul>	<ul style="list-style-type: none"><li>• Reduces TIRZ fund for capital/infrastructure.</li></ul>
<b>End Tax Relief</b>	<ul style="list-style-type: none"><li>• Maximizes TIRZ funds for capital/infrastructure investment.</li></ul>	<ul style="list-style-type: none"><li>• Lacks flexibility to assist projects through tax relief.</li></ul>



# “By-Right” vs “Needs-Based”



Policy Choices	Benefits	Issues
<b>By-right</b> with specific criteria <i>current policy</i>	<ul style="list-style-type: none"><li>• Clear, predictable, perceived as fair.</li></ul>	<ul style="list-style-type: none"><li>• Potential windfall profits to recipient.</li><li>• Lacks flexibility for other project types.</li></ul>
<b>Needs-based</b> with criteria	<ul style="list-style-type: none"><li>• Level of incentive is justified.</li><li>• Conserves funds for projects needing them most.</li></ul>	<ul style="list-style-type: none"><li>• Developer must demonstrate need.</li><li>• Application/Review require technical expertise (used in Dallas, Arlington)</li></ul>
<b>Both: By-Right</b> for eligible project types, plus <b>Needs-Based</b> for additional TIRZ resources and/or for other project types	<ul style="list-style-type: none"><li>• Clarity with flexibility</li></ul>	<ul style="list-style-type: none"><li>• Same issues as for Needs-based</li></ul>





# Major Policy Choices – Inside the TIRZ



- Targeting a Project Type
  - Multifamily housing & capital investment/job-creating projects OR
  - Add more eligible project types OR
  - Any appropriate project
- Tax Relief
  - Tax Abatement OR
  - Tax Rebate OR
  - Eliminate Tax Relief Altogether
- “By-Right” OR “Needs-Based” OR a combination of the two





# Major Policy Choices – Outside the TIRZ



- Tax Abatement
  - Maintain “By-right” approach **OR**
  - Adopt “Needs-based” approach **OR**
  - Use a combination of the two
- What are the downtown boundaries?
- What uses are eligible?





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# Questions / Discussion