

Feasibility Analysis

Tax Increment Reinvestment Zone # 4

North Beach Area

City of Corpus Christi, Texas

August 2019

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Landmark Renewal

I. Introduction

The North Beach area of Corpus Christi, Texas, already a leading tourist destination with 800,000 visitors annually, is primed for accelerated redevelopment upon completion of the new Harbor Bridge and demolition of the old bridge. A number of planning processes have focused on the area, producing a wealth of reports including:

- North Beach Development Plan (November 2011) - NBDP
- Zimmerman Volk Associates: Residential Market Potential (October 2014) - ZVA
- North Beach Redevelopment Area Specific Plan (February 2018) - NBRA
- Downtown Area Development Plan, Corpus Christi (March 2018) - DADP

In addition, the Market and Economic Feasibility Study Update for TIRZ # 2 (July 2019), contains a detailed residential, retail and hotel development analysis of the Corpus Christi metropolitan statistical area (MSA) applicable in part to North Beach.

The feasibility of a tax increment reinvestment zone (TIRZ) depends on whether tax increment stimulated by TIRZ improvements will cover the costs of those improvements, leaving local tax jurisdictions better off at termination of the TIRZ than they would be without a TIRZ. While some new development would occur regardless, establishing the zone provides a revenue source for public improvements that can spur additional and more intensive development than would otherwise occur.

The year in which a TIRZ is established becomes its base year, with each succeeding year's incremental tax revenues pledged to a fund controlled by the zone's board of directors. Local taxing jurisdictions may contribute up to 100% of their tax increment. TIRZ revenues depend on:

- Overall changes in property valuations;
- Timing and value of new development; and
- Loss of value from demolition of existing improvements.

Once the zone has sufficient revenue, infrastructure improvements should coincide with and enable associated private investment (DADP, p. 26). This analysis assumes that TIRZ spending will be based on articulated stakeholder and planning priorities, such as the February 2018 North Beach Redevelopment Initiative Near-Term Projects and Mid- and Long-Term Projects lists.

II. TIRZ Revenue Projection

City of Corpus Christi and Nueces County are expected to participate with 100% of tax increment.

Base year taxable values vary slightly between jurisdictions, primarily due to differing property tax exemptions offered. Exemptions on owner-occupied residential property include homestead and the over-65 tax freeze. For purposes of these projections, we assume the effect of these exemptions will be small since most existing and new development will be commercial, including multifamily, that is ineligible for these residential exemptions. The aggregate value of single

family residential property tax exemptions changes slowly over time. We assume no effect from commercial property tax abatements that could be offered by participating jurisdictions.

The following projections of TIRZ revenue are based on the following assumptions:

- 3% annual growth in taxable property valuations
- Completion of a \$24 million apartment complex, LaVista Pointe, in 2022
- New residential development in North Beach equivalent to 22 new apartment units and 12 new condominium or townhome units per year beginning in 2024

Prudence requires a conservative bias in revenue assumptions so that TIRZ spending can be reasonably planned. There is no assumption of added taxable value from retail/commercial or hotel/hospitality/tourism-related new development, despite a reasonable possibility of such investments.

According to ZVA (p. 42), the residential “market is constrained in North Beach due to the additional cost of development incurred by flooding issues.” In the five years since the ZVA report, no multifamily residential development has been completed. The TIRZ revenue forecast assumes that a flooding mitigation solution, such as the proposed canal (NBRI Alternative 2), is devised and implemented by the City of Corpus Christi within the next five years. While drainage improvements are unlikely to erase the additional costs of development in North Beach, it should substantially ease that market constraint, making the ZVA residential projections for North Beach realizable in the future.

LaVista Pointe, a 150-unit apartment complex, is planned for completion around 2022. ZVA projects North Beach annual residential absorption over a 10-year period of 44-53 apartment units and 26-31 condominium and townhome units. Taking a middle point of those projections, or 48 apartment units and 28 condo/townhome units, times 10 years, and subtracting the 150 completed apartment units, results in a projection of 330 additional apartment units and 280 new condo/townhome units after 2024.

This analysis assumes that tax revenue from these units is, conservatively, spread over a 15-year period beginning in 2024, after LaVista Pointe has likely reached stabilized occupancy. Apartments are estimated at \$150,000 per unit and condos and townhomes at \$350,000 at the beginning of the 15-year period, with 3% inflation for new construction in each succeeding year. The 2024 per unit values discounted back to 2019 values at 3% per year equal about \$129,000 per apartment unit and \$300,000 per condo/townhome unit.

While the TIRZ revenue forecast involves no additional retail or hotel development, TIRZ infrastructure should make high intensity tourism-oriented development appealing to the private sector. In particular, TIRZ infrastructure, a canal or other drainage solution, and right of way opened up by demolition of old the Harbor Bridge ramps, together should enable the transformative potential of high-density mixed-use development and structured parking near existing tourist attractions and associated parking needs (DADP, p. 87). “Opportunities here could include hotels, other tourism-related uses, and surface parking serving the beach and other visitor destinations.” (DADP, p. 85)

III. TIRZ Projects, Costs and Timing

The proposed TIRZ project list is derived from the planning documents listed above and stakeholder input. Project costs are estimates derived from similar types of projects, and therefore should not be construed as definitive costs for the listed projects. The TIRZ Project Plan should contain cost estimates in categories of spending rather than for specific projects, which over the 20-year life of the zone may change conceptually and in terms of scope and extent.

Among recommendations of the DADP are the following:

- Restore street connections where old Harbor Bridge is removed, and provide “convenient, attractive access at Beach Ave. connecting to Surfside and Timon Blvd.” (p. 32)
- Build a “new multi-use path extending along Beach Ave. to the Beachwalk, and along Timon and Surfside Blvd. to the Texas State Aquarium ferry dock.” (p. 36)
- “Complete North Beach birding park and Timon/Surfside path within 5 years.” (p. 36)
- “Create a welcoming Beach Ave. gateway at the new point of entry to North Beach off the Harbor Bridge.” (p. 86)
- “A new ‘North Beach Blvd.’ should also be created through the redesign of existing Timon and Surfside Blvd. with street upgrades, a new wide multi-purpose path for pedestrians and bicyclists...and planting the center median with a rich palette of native, coastal plant species.” (p. 86)

The North Beach TIRZ should include the following project categories:

Roads and wayfinding

- Beach Ave. roadway/pedestrian improvements and area beautification
- Construction of Traffic Circle at the intersection of Beach Ave. with Surfside Blvd. and Timon Blvd. including gateway feature with wayfinding

Parks

- Dolphin Park improvements
- Surfside Park improvements
- Kiwanis Park and Community Center improvements

Other infrastructure

Demolition of blighted structures

Structured parking

Cumulative revenue is projected as follows:

Year		Revenue	
Fiscal Year	Tax Year	Annual	Cumulative
FY 20	2019		
FY 21	2020	17,439	17,439
FY 22	2021	35,402	52,842
FY 23	2022	743,326	796,168
FY 24	2023	803,035	1,599,203
FY 25	2024	1,395,330	2,994,533
FY 26	2025	1,528,624	4,523,157
FY 27	2026	1,668,136	6,191,293
FY 28	2027	1,814,120	8,005,413
FY 29	2028	1,966,838	9,972,251
FY 30	2029	1,767,865	11,740,116
FY 31	2030	1,906,709	13,646,825
FY 32	2031	2,051,858	15,698,684
FY 33	2032	2,203,565	17,902,249
FY 34	2033	2,362,093	20,264,342
FY 35	2034	2,527,714	22,792,056
FY 36	2035	2,700,712	25,492,768
FY 37	2036	2,881,380	28,374,148
FY 38	2037	3,070,022	31,444,170
FY 39	2038	3,266,955	34,711,124
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TIRZ spending could begin as early as 2022 on modest improvements, but assuming a pay-as-you-go structure, major infrastructure spending would have to wait at least until nearly \$2.9 million had been accumulated in 2024. A parking structure would have to wait until near the end of the TIRZ lifetime, unless a private developer could be induced to build a garage in a public-private partnership earlier than that. With the opportunity of vacated ROW from the demolished Harbor Bridge ramps, such a partnership is feasible, perhaps in conjunction with an on-street meter parking policy as envisioned by the DADP (p. 28).