

# Casa Blanca Village Apartments

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Workforce Housing Adaptive Re-use Development



Council Presentation  
June 18, 2024



# **A I R Development, Demographic Trends & Housing Market Trends**

# AIR Development

## Adaptive Reuse, Infill, and Revitalization

- AIR Developments repurpose a vacant, underutilized, or struggling real estate asset into a higher and better use within the inner City
- AIR Developments are becoming a best practice and are often a catalyst for growth
- Common AIR developments include former hotels, office buildings, schools, warehouses/factories, and malls
  - Magnolia Market (Waco)
  - POST Food Hall, Workspace, & Entertainment (Houston)
  - The Pearl (San Antonio)
  - Hawn Hotel (Temple)
  - Hotel Grim (Texarkana)
  - Hotel el Jardin (Brownsville)
  - Multiple Office Towers in Downtown Dallas
- AIR Developments are cost effective to Cities
  - Utilizes existing City infrastructure (Streets, Water, Wastewater, and Gas)
  - City already services these areas (Police, Fire, Code, and existing infrastructure maintenance)

# Corpus Christi Metropolitan Statistical Area (CC MSA) Trends

## **CC MSA Unemployment as of April 2023 is 4%**

- ✓ Projected to remain relatively low for the upcoming years

## **CC MSA Workforce decline of 1.5%, or 3,083, from 2019 – 2023**

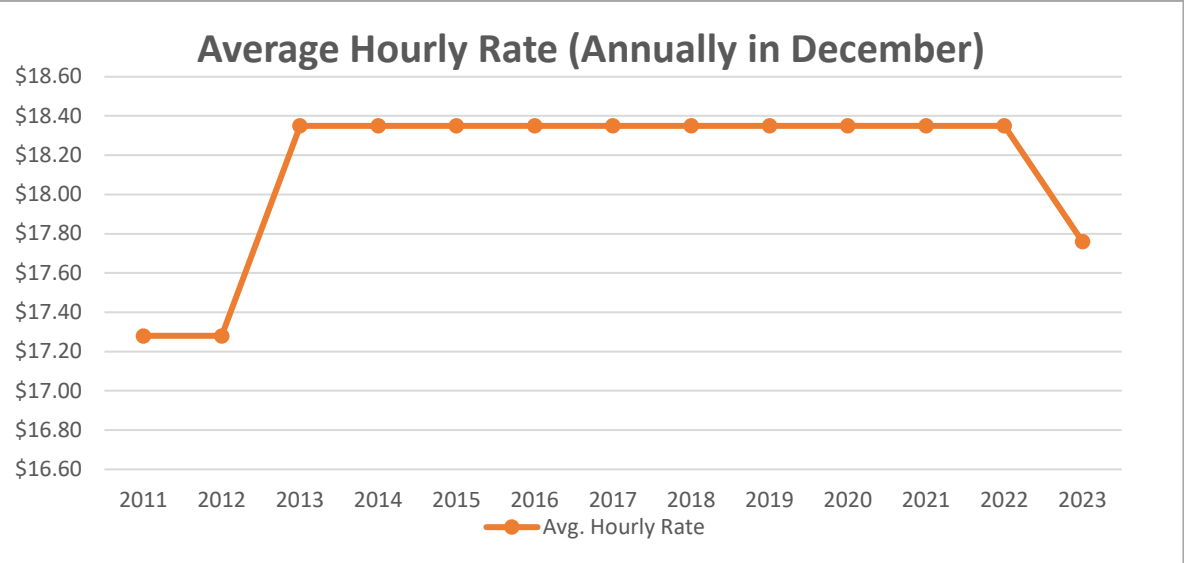
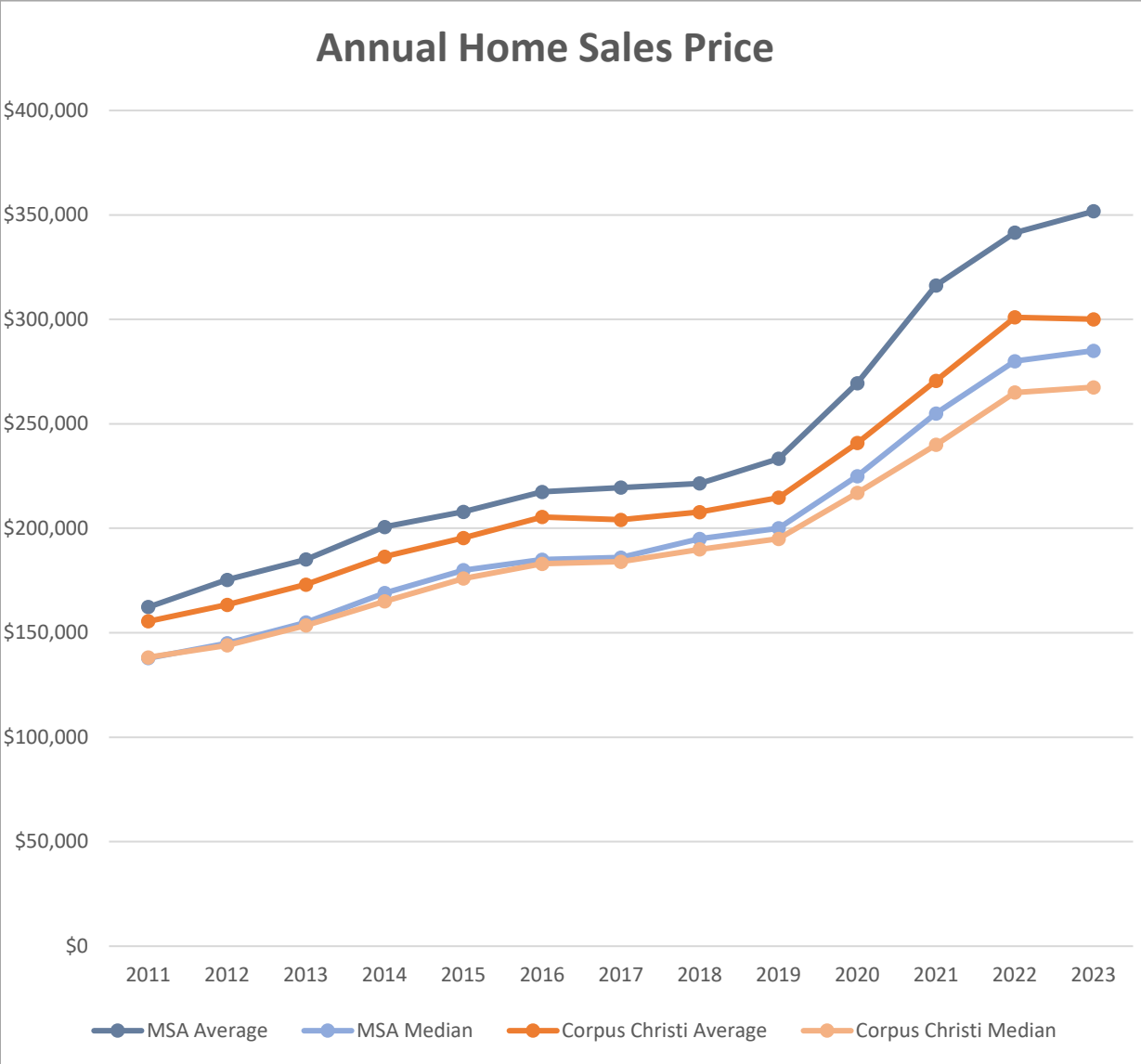
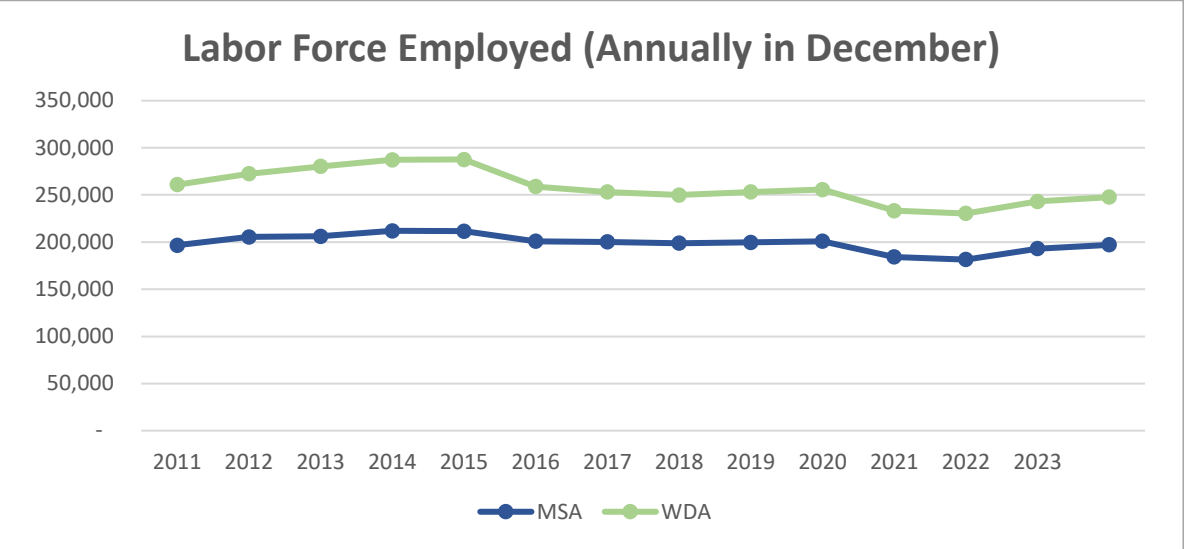
- ✓ An increase of 3.6%, or 7,515, is expected from 2024 – 2028

## **CC MSA Population decline of 1.9%, or 8,196, from 2019 – 2023**

- ✓ A decrease of 1.8%, or 7,699, is expected from 2024 – 2028

- The CC MSA has job openings across all sectors
- There is a need to build and support our workforce
- Regional employers have identified that housing will become more critical over the next several years

# Workforce & Housing Data



Workforce Development Area (WDA) = 11 county region; MSA = Nueces, San Patricio, & Aransas Counties

Source: Workforce Solutions of the Coastal Bend Labor Market Intelligence Reports (December of each year); Texas A&M Real Estate Research Center; Corpus Christi Association of Realtors

# HUD Workforce Housing Affordability

## HUD Workforce Housing Affordability Guidelines

Family Size	Corpus Christi 2024 AMI	Max housing cost at 80% AMI (\$44,240)	Max housing cost at 100% AMI (\$55,300)	Max Housing cost at 120% AMI (\$66,360)
1 Person	\$55,300	\$1,106	\$1,383	\$1,659
2 Person	\$63,200	\$1,264	\$1,580	\$1,896
3 Person	\$71,100	\$1,422	\$1,778	\$2,133
4 Person	\$78,000	\$1,560	\$1,950	\$2,340

“**Workforce**” as defined by HUD:

- Families earning between 80 – 120% AMI
- AMI fluctuates with family size

## HUD’s Housing Affordability Guideline

- No more than 30% of income should be spent on housing costs including utilities

Due to an increase in housing costs, many workforce residents have housing costs above the 30% guideline

Many employees must live outside the City limits to find housing that is considered affordable

49% of City employees are below the 2024 AMI of \$55,300

## HUD Workforce Housing Rent Limit Guidelines

	Studio	One-Bedroom	Two-Bedroom
HUD Monthly Rent Limit (Includes Utilities)	\$1,030	\$1,104	\$1,355
Market Rate Rents adjusted to include a utility cost of \$200/month for surrounding zip codes of the project site	\$1,100	\$1,325	\$1,560

Source: 2024 HUD Rent Limits or Fair Market Rent Documentation System as defined in 24CFR888.113. These are estimates of the 40th percentile gross rents for standard quality units within a metropolitan area or nonmetropolitan county. This is used by HUD for various housing programs. HUD Utility Allowance Schedule. CCAR/South Texas MLS. Co-Star.

# Housing Affordability

## Home Ownership Cost

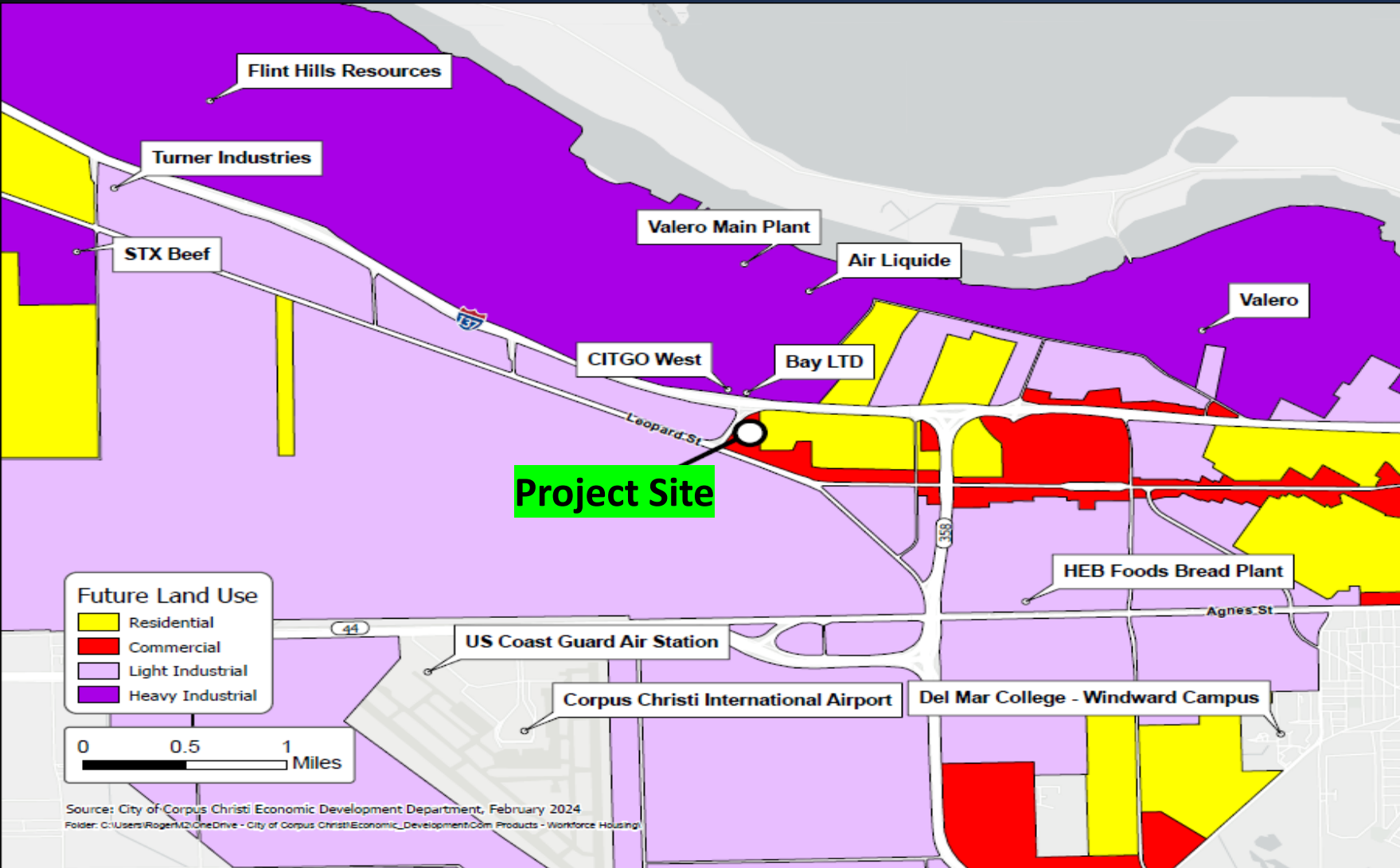
Location	Median Home Price (April 2024)	Total Housing Cost per Month (Includes mortgage payment at 7% interest, 5% down payment, utilities cost at \$200/Month, & 3.5% of home price for taxes & insurance)
Nueces County	\$279,500	\$2,782
Corpus Christi	\$266,000	\$2,657
Southside	\$295,000	\$2,925
Northwest	\$269,000	\$2,685
Calallen	\$243,000	\$2,445
Bay Area	\$225,000	\$2,278
San Patricio County	\$247,000	\$2,481
Portland	\$316,000	\$3,119
Kleberg County	\$229,000	\$2,316
Kingsville	\$212,500	\$2,163

## Rental Housing Cost

Apartment Description	Total Rental Cost per Month (Includes average rent & utilities cost at \$200/Month)
<b>MSA Apartment Rating</b>	
4 & 5 Star	\$1,529
3 Star	\$1,287
1 & 2 Star	\$1,112
<b>Submarket Apartment Locations</b>	
Corpus Christi	\$1,326
Portland/Ingleside	\$1,474
Rockport/N. Aransas County	\$1,301
West Nueces County	\$1,283
West San Patricio County	\$1,431

A 2-person family at 80% AMI can only afford \$1,264/month in housing costs without incurring a housing cost burden. They cannot afford the median home in our MSA and can only live in a 1 to 2 star rated apartment to be within the 30% guideline.

# Major Employers



- 10,000+ Employees within a 5-minute drive
- 80,000+ Employees within a 10-minute drive
  - 40% of region's workforce



# Residential Neighborhoods



# Project Site



Proposed Phase 1

Separate Ownership

Proposed Phase 2

# Casa Blanca Village Apartments Project Concept

- Adaptive re-use of two vacant hotels
- Up to 400 studio, one-bedroom, and two-bedroom apartments (370 SF, 740 SF, & 1,111 SF)
  - Up to 200 units will have rents set based on HUD's annual fair market rents
  - Occupants will be income qualified
  - Up to 200 units will be market rate
- Anticipate units will include all utilities, excluding cable/internet
- Offering monthly, long-term, and furnished leases (No STRs)

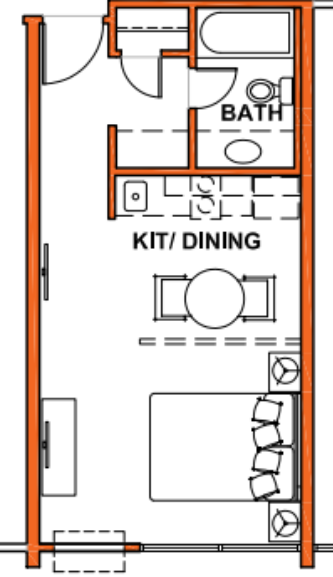


# Phase 1 Concept Plan



\*Phase 2 will be a similar concept

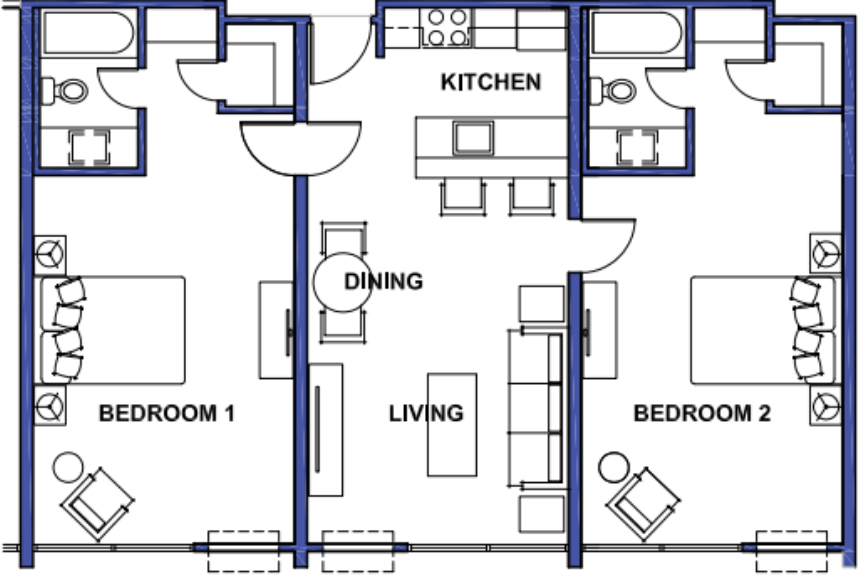
# Apartment Unit Concepts



**STUDIO UNIT**  
370 SQ. FT.



**ONE BEDROOM UNIT**  
740 SQ. FT.



**TWO BEDROOM UNIT**  
1111 SQ. FT.



# Amenties



1. Lifestyle Courtyard
2. Recreational Courts
3. Resort Style Swimming Pool

4. Lounge & Entertainment Room
5. Gym Facility
6. Co-working area

7. Dog Area
8. On-site Laundry

# Proven Developer: Al Rajabi

- Owned, operated, and renovated over 40 hotels
- Currently has operations in 5 States
- Converted 3 stories of a major hotel into apartments
- Currently in pre-development or construction of 6 hotels



Wyndham  
400 Rooms  
30 Stories  
Springfield, IL



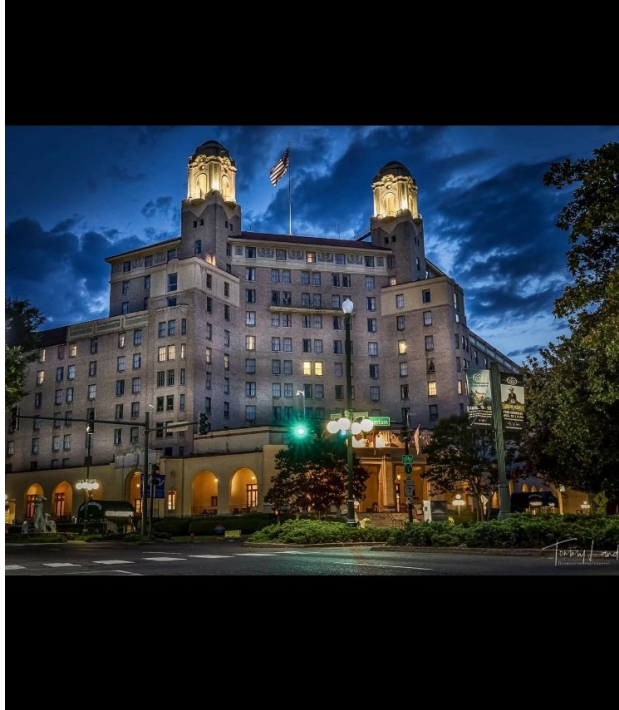
Four Points by Sheraton  
263 Rooms  
Little Rock, AR



Marriott  
353 Rooms  
21 Stories  
Jackson, MS



Holiday Inn Express  
122 Rooms  
San Antonio, TX



# The Arlington Hotel

- Located in Hot Springs, AR
- Historic Arkansas Hotel
- 550 Rooms
- Third owner since 1875
- Largest resort hotel in Arkansas
- Under a Historic Tax Credit renovation
- In operation during construction



# Project Economics

## Increased Valuation

- This development is projected to generate **\$2,650,000** in taxes to the City over 10 years after phase 2 completion
- Within the same period, an additional **\$7,200,000** will be generated for the other taxing entities such as Nueces County, Del Mar College, Hospital District, Emergency Services District #1, and CCISD combined
- Currently valued at \$750,000 and generating **\$4,500** in taxes for the City

## AIR Development

- Redevelops a long-standing vacant property
- Eliminates blight
- Reduces crime

## Additional Benefits

- New residents in the City limits
- Adding up to 400 additional living units
- Additional increase in sales tax (Grocery/gas/retail within City limits)

# Project Investment

Investment Expenditures	Cost
Phase 1 Construction (Up to 240 units)	\$22,800,000
Phase 2 Construction (Up to 160 units)	\$16,000,000
Construction Contingency	\$3,880,000
Common Areas & Amenities	\$4,000,000
Acquisition, Architect/Engineering, Financing & Closing Costs, Additional Soft Costs, & Permits	\$14,000,000
<b>Total</b>	<b>\$60,680,000</b>
Current Taxable Value	\$750,000
Estimated Taxable Value at Completion	\$27,100,000
Estimated Taxable Value within 10 Years of Completion	\$50,250,000

# Developer Request

Incentive of \$25,000 per income qualified unit for up to 200 units

Incentive will be paid over a 10-year period

The City will receive:

- Up to 200 workforce residence units with rents set based on HUD Annual Rent Limits
- Targeted income limits of 80 – 100% AMI but any income below 100% will be allowed
  - 1-Person family: \$44,240 – \$55,300
  - 2-Person family: \$50,560 – \$63,200
  - 3-Person family: \$56,880 – \$71,100
  - 4-Person family: \$62,400 – \$78,000

**Incentive Necessary to offer below market rents**

- Renting below market rate affects not only the annual cash flow but also the overall value of the property
- Assuming an average of \$100 rent reduction for 200 units
- Loss of \$240,000 annually in cash flow
- Due to loss of cash flow from capped rents, overall value of the property is reduced by approximately \$3,400,000

# Taxable Value and Incentive Payout Schedule

	Taxable Value & Taxes Collected			Incentive Payout Schedule		
Year	Phase 1 Estimated Taxable Value	Phase 2 Estimated Taxable Value	Estimated City Taxes Generated	Total Incentive	Rebate of City Taxes Paid	General Fund Contribution
1	\$8,520,000	-	\$51,101	\$375,000	\$51,101	\$323,899
2	\$17,040,000	-	\$102,201	\$375,000	\$102,201	\$272,799
3	\$20,448,000	\$6,650,000	\$162,527	\$500,000	\$162,527	\$337,473
4	\$22,152,000	\$13,300,000	\$212,632	\$500,000	\$212,632	\$287,368
5	\$22,152,000	\$15,960,000	\$228,586	\$500,000	\$228,586	\$271,414
6	\$23,856,000	\$17,290,000	\$246,783	\$500,000	\$246,783	\$253,217
7	\$23,856,000	\$17,290,000	\$246,783	\$500,000	\$246,783	\$253,217
8	\$25,560,000	\$18,620,000	\$264,980	\$500,000	\$264,980	\$235,020
9	\$25,560,000	\$18,620,000	\$264,980	\$500,000	\$264,980	\$235,020
10	\$27,264,000	\$19,950,000	\$283,177	\$500,000	\$283,177	\$216,823
11	\$27,264,000	\$19,950,000	\$283,177	\$125,000	\$283,177	\$ (158,177)
12	\$28,968,000	\$21,280,000	\$301,374	\$125,000	\$301,374	\$ (176,374)
		<b>Total</b>	<b>\$2,648,301</b>	<b>\$5,000,000</b>	<b>\$2,648,301</b>	<b>\$2,351,699</b>



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# Questions?

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