



AGENDA MEMORANDUM

Consideration at the City Council Meeting of June 18, 2024

DATE: June 3, 2024
TO: Peter Zaroni, City Manager
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Approval of a 380 incentive agreement for the development of Casa Blanca Village Apartments

CAPTION:

Resolution authorizing a 380 incentive agreement with Corpus Christi Capital Group LLC and Corpus Christi Party Hotel LLC in the amount of up to \$5,000,000 over a 10 year period for the development of the Casa Blanca Village Apartments. The project will include up to 200 apartment units focused on workforce residences which will be income qualified and subject to HUD fair market rent limits.

SUMMARY:

This resolution will authorize a 380 incentive agreement with Corpus Christi Capital Group LLC and Corpus Christi Party Hotel LLC for the development of the Casa Blanca Village Apartments. The project will redevelop two former hotel sites into an estimated 400-unit multi-family complex. Up to 200 apartment units will be focused on workforce residences. These units will be income qualified and subject to HUD fair market rent limits. Total incentive is an amount of up to \$5,000,000 over a 10-year period based on \$25,000 incentive per income qualified unit.

BACKGROUND AND FINDINGS:

Corpus Christi Capital Group LLC & Corpus Christi Party Hotel LLC is the owner of 6255 IH-37 and 910 Corn Products Rd respectively. These entities are owned and operated by Al Rajabi, collectively the "Developer" for this project known as "Casa Blanca Village Apartments" phase 1 & 2. Both properties have their main entrance facing Corn Products Rd and are located on a combined 11.34 acres between IH-37 and Leopard Street.

The Developer anticipates the total project investment to be \$60,680,000 which includes phase 1 & 2. The proposed development is an adaptive re-use project of two former hotels that were originally constructed in 1975 and 1984. While they have sat vacant for several years, the Developer proposes to bring new life to these properties with a planned conversion into a multi-

family workforce housing project. The development will have a maximum of 400 units with up to 200 units allocated for households at or below 100 percent of the area median income (AMI). These units will have rent limits and income qualifications. The remaining units can be rented at market rate.

Housing affordability continues to be a nationwide issue that is relevant to Corpus Christi and the region. Salaries and wages have not kept up with the increase in housing costs which have increased significantly over the last 5 years. HUD's Housing Affordability Guideline is that no more than 30% of income should be spent on housing costs including utilities. While market rate housing development struggles to financially make sense due to construction inflation and the cost of capital, workforce housing development is even more financially unfeasible due to the same issues in addition to lower rental income from below market rates which affect annual cash flows to service debt on these developments. The Local, State, and Federal government do not have programs to assist in workforce housing developments like are available for low-income housing projects. This further creates a gap in this critical housing sector. Major employers have expressed the need for additional housing options and in particular, workforce housing will continue to be needed to support our region's workforce.

This project is intended to create housing for the region's workforce population and is strategically located within a 10-minute drive of 40% of the region's workforce. HUD defines workforce as an individual or a family whose income is between 80 – 120% of AMI. This project will restrict the income limit to 100% AMI or below and will set rents for the workforce units based on HUD's annual fair market rents. An example of 80% AMI and rent limits are below:

Family Size	Corpus Christi 80% AMI	30% Housing Cost including Utilities
1 Person	\$44,240	\$1,106
2 Person	\$50,560	\$1,264
3 Person	\$56,880	\$1,422
4 Person	\$62,440	\$1,560

Housing Unit	HUD Fair Market Rent Limit
Studio	\$1,030
One-Bedroom	\$1,104
Two-Bedroom	\$1,355

In addition to providing workforce housing, this project is an adaptive re-use development. Adaptive re-use, infill, and revitalization (AIR) developments repurpose vacant, underutilized, or struggling real estate assets into a higher and better use within the inner City. Encouraging and facilitating these developments are becoming a best practice for Cities and are often a catalyst for growth and revitalization. Additionally, AIR developments can often be more cost effective to Cities since they are typically located within existing City infrastructure (Streets, Water, Wastewater, and Gas) and within the purview of exiting City Services (Police, Fire, Code, & Infrastructure Maintenance Schedules).

The City currently collects a combined \$4,500 in property taxes on these two properties with an additional \$12,200 collected for other taxing entities. This development is projected to generate \$2,650,000 in taxes to the City within 10 years of phase 2 completion or an estimated \$265,000 annually. During the same period, an additional \$7,200,000 will be generated for Nueces County, Del Mar College, Hospital District, Emergency Services District #1, and CCISD combined.

The Developer is requesting \$25,000 per unit that are income qualified and subject to HUD fair

market rent limits for up to 200 units. The Developer will be reimbursed annually over a 10-year period from taxes collected, with the balance funded through the General Fund. The incentive period will begin at the completion of phase one with an estimated completion date of December 2026. At the completion of phase one, the developer will be eligible to receive an annual incentive payment for up to 150 units. Phase two is estimated to be completed June 2028 and at that time the developer will be eligible to receive annual incentive payments on up to 50 additional units. If the developer does not complete phase two, they will only be eligible to receive incentives for up to 150 units.

ALTERNATIVES:

City Council could not approve this agreement or limit the incentive amount.

FISCAL IMPACT:

There is no fiscal impact in the current fiscal year. Based on an estimated completion date the first incentive payment will be paid during fiscal year 2027 and will be a rebate of taxes paid by the developer with the remaining funded through the General Fund.

RECOMMENDATION:

City Staff recommends authorizing this agreement to provide up to 200 new workforce housing units within Corpus Christi.

LIST OF SUPPORTING DOCUMENTS:

Resolution
380 developer agreement
Presentation