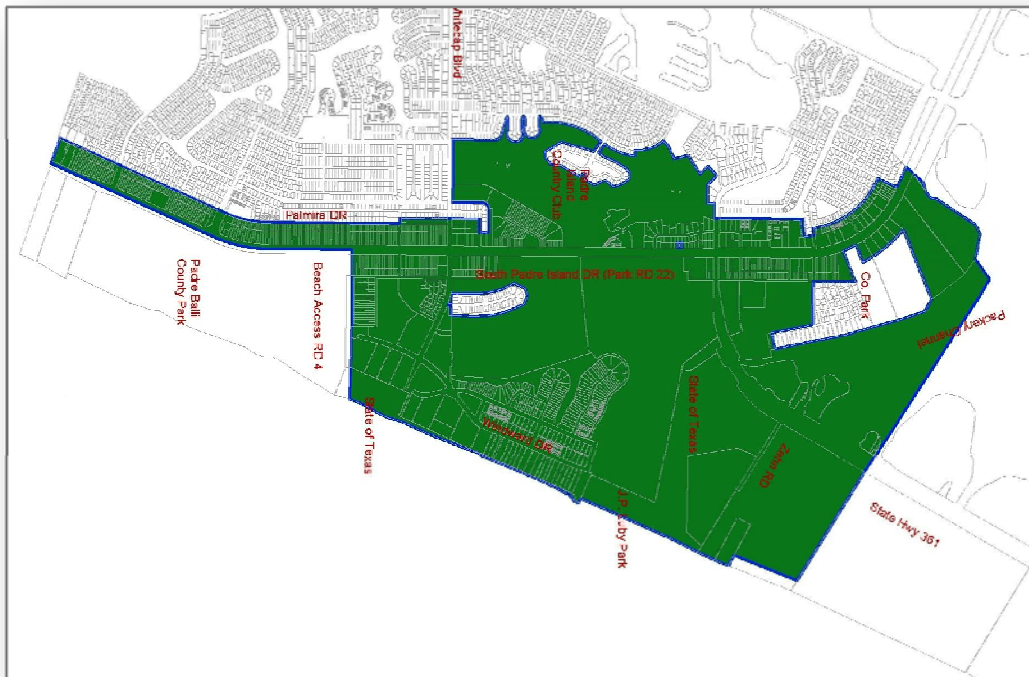

MARKET AND ECONOMIC FEASIBILITY STUDY UPDATE

Tax Increment Reinvestment Zone #2

Corpus Christi, Texas



Prepared for:

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September, 2009

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INTRODUCTION

This report is an update to two previous reports prepared by Economics Research Associates for City of Corpus Christi Tax Increment Zone #2 (TIRZ #2) in 2000 and 2002. It discusses the current economic and market conditions affecting the TIRZ. These conditions provide the foundation to an updated set of TIRZ #2 assessed value projections provided at the end of this report.

ECONOMIC AND DEMOGRAPHIC OVERVIEW

Regional Economic Trends

The Corpus Christi Metropolitan Statistical Area (MSA) includes Aransas, Nueces and San Patricio Counties, illustrated in the map on the right. The city of Corpus Christi is the economic center of the MSA and the larger region served by the Coastal Bend Council of Governments.

The region currently has a population of 417,000 and an employment of 180,000.

Employment trends

The employment growth of the region has been positive with a compound annual growth rate of slightly over 1.0% since 1997, roughly approximating the U.S. employment growth. However, the current national economic climate has brought a recent decline in employment in the region.

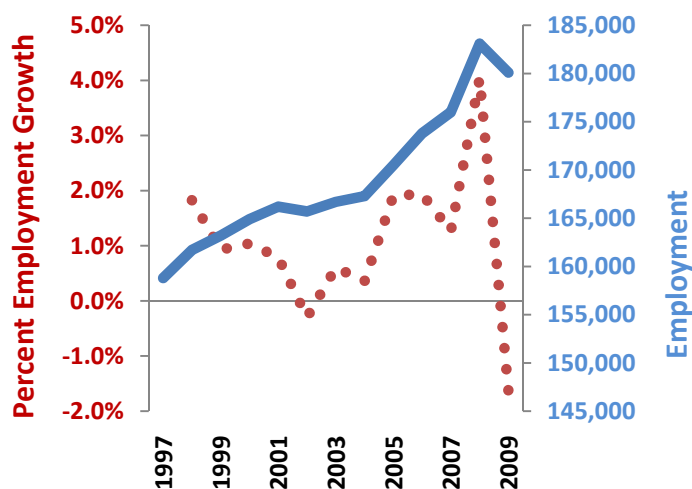
The table on the following page illustrates the employment by selected economic sectors from 2000 to July 2009. From an economic base standpoint, the strongest sectors are mining and construction. Other significant growth is occurring in the sectors, “educational and health services” and “leisure and hospitality” which accounted for 54% of the growth from 2000 to July 2009.

The sectors in the Corpus Christi MSA that have seen little job growth are manufacturing (due partly to technological advances) and information services.

Map of Corpus Christi MSA



Corpus Christi MSA Employment Growth



Source: Texas Workforce Commission, Texas A&M Real Estate Center

Corpus Christi MSA Employment Trends

NAICS Industry	Annual Average Employment				Change	
	2000	2005	2007	2009*	2000 - 2005	2005 - 2009
Total Nonfarm Employment	166,100	170,000	177,100	180,100	3,900	10,100
Total Private	134,500	137,600	144,200	146,857	3,100	9,257
Goods Producing	28,700	28,200	31,500	31,129	-500	2,929
Mining and Construction	15,700	17,600	20,500	20,700	1,900	3,100
Construction of Buildings	6,200	5,500	6,400	6,471	-700	971
Manufacturing	13,100	10,600	11,100	10,429	-2,500	-171
Service Providing	137,300	141,800	145,600	148,971	4,500	7,171
Private Service Providing	105,800	109,400	112,700	115,729	3,600	6,329
Trade, Transportation, and Utilities	29,900	30,500	31,800	32,371	600	1,871
Wholesale Trade	5,100	5,300	5,600	5,686	200	386
Retail Trade	19,300	20,100	20,800	21,043	800	943
General Merchandise Stores	4,100	4,300	4,100	4,400	200	100
Transportation, Warehousing, and Utilities	5,400	5,100	5,400	5,643	-300	543
Information	3,200	2,600	2,500	2,329	-600	-271
Financial Activities	7,700	7,700	8,200	8,129	0	429
Finance and Insurance	4,700	4,700	4,900	4,900	0	200
Professional and Business Services	16,300	16,200	16,300	16,429	-100	229
Admin/Support/Waste Mgmt & Svcs	10,600	9,900	9,500	9,657	-700	-243
Educational and Health Services	24,100	26,100	26,600	28,786	2,000	2,686
Hospitals	7,200	8,000	7,500	7,943	800	-57
Leisure and Hospitality	17,700	19,800	20,700	20,557	2,100	757
Other Services	6,900	6,400	6,600	7,129	-500	729
Government	31,600	32,400	32,900	33,243	800	843
Federal Government	5,800	6,200	6,500	6,629	400	429
State Government	4,400	4,500	4,600	4,943	100	443
Local Government	21,400	21,600	21,800	21,671	200	71

Source: Texas Workforce Commission, 2009

* 2009 Data is averaged through July

The table on the right lists the major employers in the Corpus Christi MSA. Government agencies (local and military) and health care institutions disproportionately represent the major employers in the region.

The scheduled closing of the Naval Station Ingleside will adversely impact the regional economy but will not likely be devastating. According to the 2005 Report¹ on the announced closings, direct job losses in the three facilities will total 3,154 and the indirect job loss of 3,879 for a total of 7,033 jobs lost (4% of regional employment).

There is some concern over the future of the Corpus Christi Army Depot helicopter repair center when the US involvement in Iraq and Afghanistan is reduced. The impact is unknown at this time.

2008 Major Employers – Corpus Christi MSA

Employer	Type of Product or Service	Civilian Employment
CHRISTUS Spohn Health System	Hospital	5,400
Corpus Christi ISD	School District	5,178
H.E.B.	Grocery Company	5,000
Corpus Christi Army Depot	Helicopter Repair	4,876
City of Corpus Christi	City Government	3,171
Bay, Ltd.	Industrial Construction	2,100
Naval Air Station- Corpus Christi	Flight Training	1,630
Del Mar College	Junior College	1,542
Driscoll Children's Hospital	Hospital	1,500
Corpus Christi Medical Center	Hospital	1,300
First Data Corporation	Teleservices	1,200
Susser Holdings Corporation	Convenience Stores	1,100
Nueces County	County Government	1,034
Texas A&M Corpus Christi	Four-year University	991
Flint Hills Resources	Crude Oil Refining	920
Kiewit Offshore Services	Offshore Rig Manu.	900
Corpus Christi State School	Special-needs Facility	850
Valero Refining	Crude Oil Refining	824
Sherwin Alumina	Alumina	800
Sam Kane Beef Processors	Beef Processing	800
Flour Bluff ISD	School District	750

Source: Corpus Christi Regional Economic Development Corporation, Regional Profile, June 2009

¹ Report of the Impact of the 2005 Base Realignment and Closure Committee Recommendations for Naval Station Ingleside, Naval Station Corpus Christi, and Corpus Christi Army Depot, prepared by Impact Data Source, December 2005

Corpus Christi Regional Economy

The Corpus Christi regional economy has two strong underpinnings: 1) a strong industrial base and 2) a healthy tourism industry.

According to a recent report from the San Antonio office of the Federal Reserve, the Corpus Christi economy has grown consistently, tracking the U.S. economy since 1987 (See chart at the right). Oil prices have been a key driver of the regional economy in the past but the oil price spike of 2006 and 2007 was not felt significantly in Corpus Christi.

Future economic growth in the Corpus Christi region is

expected to be less dependent on the oil and gas sectors and be generated by:

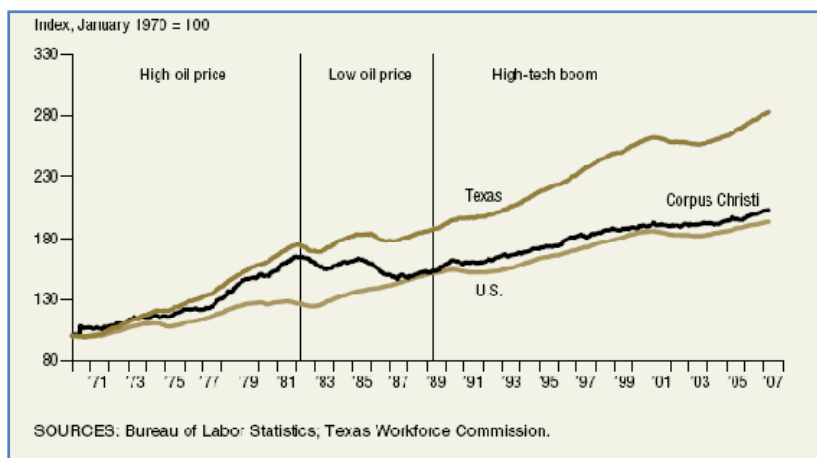
- the expansion of trade through the port,
- becoming a center for alternative energy sources (stimulated by the wind energy research activities being proposed for the area),
- tourism, and
- a burgeoning retirement community.

Population and Employment Forecasts

The table on the right illustrates the population and employment forecasts produced by the agency responsible for transportation planning in the region. Aransas County is not included because it is not in the MPO's planning area. The key result is that local planners are expecting long-term moderate growth in the region, consistent with recent trends in the 1.0% to 1.2% range.

Corpus Christi MSA Job Growth

Compared with Texas and the U.S.



Graphic From: *VISTA, South Texas Economic Trends and Issues, Corpus Christi: An Economy in Transition*, Federal Reserve Bank of Dallas, San Antonio Branch, Winter 2007/2008

County Population and Employment Forecasts

	2006	2035	Change	CAGR*
Population				
Nueces County	325,745	443,722	117,977	1.1%
San Patricio County	83,821	117,856	34,035	1.2%
Total	409,566	561,578	152,012	1.1%
Total Employment				
Nueces County	159,863	231,844	71,981	1.3%
San Patricio County	18,204	25,617	7,413	1.2%
Total	178,067	257,461	79,394	1.3%

* CAGR = Compound Annual Growth Rate

Source: Corpus Christi Metropolitan Planning Organization

Demographic Trends

Regional Demographics

The table below illustrates some recent demographic trends for the Corpus Christi MSA. Demographic data in this report is from PCensus for MapInfo, which is a reseller of Claritas, Inc. demographic data. According to PCensus estimates, over the past 9 years since the 2000 census, the region has added 14,201 persons (3.5%) and 9,128 households. The PCensus 2009 population estimate is reasonably close to the U.S. Census estimate for July 2008 of 415,376.

Corpus Christi MSA Demographic Overview

Characteristic	2000 Census		2009 Estimate		2014 Projection	
	Count	Share	Count	Share	Count	Share
Total Population	403,280		417,481		428,381	
Population by Age						
Age 17 and under	115,341	28.6%	112,513	27.0%	113,887	26.6%
Age 18 and over	287,939	71.4%	304,968	73.0%	314,494	73.4%
Age 65 and over	46,481	11.5%	52,951	12.7%	59,711	13.9%
Median Age	33.6		35.2		35.4	
Population by Ethnicity and Race						
Hispanic or Latino	212,703	52.7%	234,299	56.1%	248,264	58.0%
White (Non-Hispanic)	165,523	41.0%	157,458	37.7%	153,838	35.9%
Black or African American (Non-Hispanic)	14,788	3.7%	13,665	3.3%	13,120	3.1%
Native (Non-Hispanic)	1,270	0.3%	1,421	0.3%	1,519	0.4%
Asian (Non-Hispanic)	4,461	1.1%	5,280	1.3%	5,778	1.3%
Pacific Islander (Non-Hispanic)	201	0.0%	207	0.0%	210	0.0%
Other Race (Non-Hispanic)	409	0.1%	390	0.1%	381	0.1%
Two or More Races (Non-Hispanic)	3,925	1.0%	4,761	1.1%	5,271	1.2%
Households by Household Income						
Less than \$15,000						
\$15,000 to \$24,999	29,193	20.6%	25,569	17.0%	24,390	15.6%
\$25,000 to \$34,999	21,252	15.0%	19,607	13.0%	18,878	12.1%
\$35,000 to \$49,999	19,508	13.8%	18,634	12.4%	18,130	11.6%
\$50,000 to \$74,999	23,703	16.8%	23,952	15.9%	24,027	15.4%
\$75,000 to \$99,999	24,997	17.7%	28,354	18.8%	29,280	18.8%
\$100,000 to \$149,999	12,134	8.6%	15,427	10.2%	17,009	10.9%
\$150,000 to \$249,999	6,970	4.9%	13,086	8.7%	16,242	10.4%
\$250,000 to \$499,999	2,635	1.9%	3,997	2.7%	5,484	3.5%
\$500,000 or more	836	0.6%	1,507	1.0%	1,818	1.2%
Median Household Income	302	0.2%	586	0.4%	831	0.5%

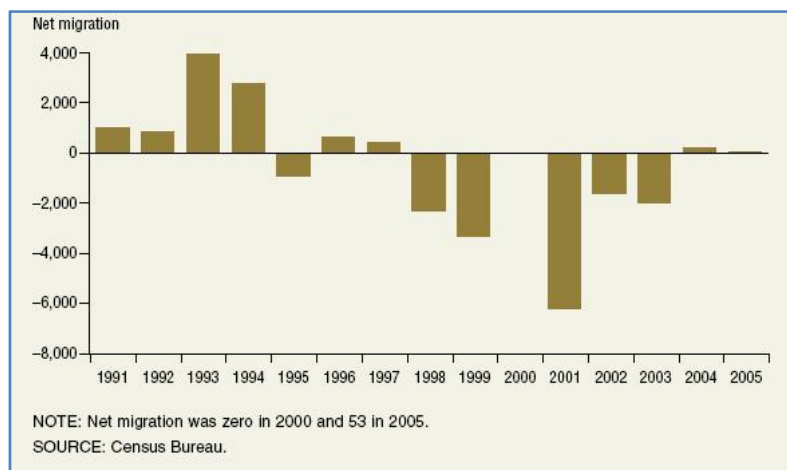
Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Regional Demographic Trends

According to the previously cited report from the Federal Reserve, the Corpus Christi region's recent population trends have been somewhat weak. One such measure of population growth is the net population migration. A region can have positive population growth because of a net number of births over deaths yet still have a net out-migration of people from the community. This appears to be the case for the Corpus Christi region in the last decade. Generally, if area businesses are prosperous and creating new jobs, the region will have net immigration. According to the Fed report, "Corpus Christi experienced positive net domestic migration through 1997, but it fell to negative in 1998, where it remained through 2003. Net domestic migration became positive again in 2004 and 2005, but just slightly. International immigration increased somewhat in the 1990s, but it too has experienced a general downward trend in the 2000s. Net internal growth has also slowed since the 1980s, with births decreasing and deaths increasing. Overall population growth and, in particular, net migration show Corpus Christi has grown sluggishly over the past two decades."

Net Population Migration

Corpus Christi MSA



Graphic From: VISTA, *South Texas Economic Trends and Issues, Corpus Christi: An Economy in Transition*, Federal Reserve Bank of Dallas, San Antonio Branch, Winter 2007/2008

City of Corpus Christi Demographics

The City of Corpus Christi has, within the municipal boundaries, over two-thirds of the residents of the region with a current estimated population of 287,168. Like the region, the City's growth over the past nine years has been modest (9,714 added, 3.5%). The table on the following page illustrates the historical and expected future population by age group. The population of the City is getting slightly older with most of the change occurring in the 35-44 year old group.

Population and Age Trends – City of Corpus Christi Total

Age Group	2000 Census		2009 Estimate		2014 Estimate		Change	
	Count	Share	Count	Share	Count	Share	2000-2009	2009-2014
Total Population	277,454		287,168		294,563		9,714	7,395
Age 0 to 4	21,544	7.8%	22,243	7.8%	23,105	7.8%	699	862
Age 5 to 9	21,592	7.8%	21,518	7.5%	21,973	7.5%	-74	455
Age 10 to 14	21,487	7.7%	20,809	7.3%	21,236	7.2%	-678	427
Age 15 to 17	13,439	4.8%	12,521	4.4%	12,070	4.1%	-918	-451
Age 18 to 20	13,329	4.8%	12,791	4.5%	12,697	4.3%	-538	-94
Age 21 to 24	16,058	5.8%	16,567	5.8%	16,327	5.5%	509	-240
Age 25 to 34	37,792	13.6%	37,792	13.1%	39,694	13.5%	0	1,902
Age 35 to 44	43,275	15.6%	36,898	12.9%	35,129	11.9%	-6,377	-1,769
Age 45 to 49	19,928	7.2%	20,455	7.1%	18,549	6.3%	527	-1,906
Age 50 to 54	16,657	6.0%	20,261	7.1%	19,715	6.7%	3,604	-546
Age 55 to 59	12,024	4.3%	17,612	6.1%	19,236	6.5%	5,588	1,624
Age 60 to 64	9,527	3.4%	13,860	4.8%	16,568	5.6%	4,333	2,708
Age 65 to 74	16,944	6.1%	17,541	6.1%	21,490	7.3%	597	3,949
Age 75 to 84	10,533	3.8%	11,561	4.0%	11,372	3.9%	1,028	-189
Age 85 and over	3,325	1.2%	4,739	1.7%	5,402	1.8%	1,414	663
Age 16 and over	208,504	75.2%	218,504	76.1%	224,315	76.2%	10,000	5,811
Age 18 and over	199,392	71.9%	210,077	73.2%	216,179	73.4%	10,685	6,102
Age 21 and over	186,063	67.1%	197,286	68.7%	203,482	69.1%	11,223	6,196
Age 65 and over	30,802	11.1%	33,841	11.8%	38,264	13.0%	3,039	4,423
Median Age	33.2		34.8		35.1		1.6	0.2
Average Age	34.7		36.2		36.8		1.5	0.6

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Population and Employment Forecasts for City of Corpus Christi

City Population and Employment Forecasts

The table at the right shows the forecast of population and employment provided by the MPO. The current estimates differ somewhat from other sources such as the Census. Nevertheless, the principal point of these forecasts is that they demonstrate long-term growth rates consistent with past trends – continued slow growth.

	2006	2035	Change	CAGR*
Population	294,075	399,328	105,253	1.1%
Total Employment	156,632	223,715	67,083	1.2%

* CAGR = Compound Annual Growth Rate

Source: Corpus Christi Metropolitan Planning Organization

TIRZ Demographics

In the 2000 Census, only 908 persons resided in the designated for TIRZ #2 shown below. According to the PCensus estimates, that number increased by 288 persons to 1,196 in 2009.

TIRZ #2 Map



Source: The City of Corpus Christi

The population in TIRZ #2, as illustrated in the table below, has a marked lack of children and overall lack population under the age of 20. This population makes up only 12.2% of the total population in TIRZ #2, while this group comprises 31.5% of the population of the City of Corpus Christi overall. The TIRZ also has a higher share of persons over age 65.

Population and Age Trends in TIRZ #2

Age Group	2000 Census		2009 Estimate		2014 Estimate		Change	
	Number	Share	Number	Share	Number	Share	2000-2009	2009-2014
Total Population	908		1,196		1,343		288	147
Age 0 to 4	29	3.2%	34	2.9%	39	2.9%	5	5
Age 5 to 9	22	2.5%	40	3.4%	41	3.0%	18	1
Age 10 to 14	25	2.8%	37	3.1%	47	3.5%	12	10
Age 15 to 17	22	2.5%	17	1.4%	22	1.6%	-5	5
Age 18 to 20	30	3.3%	16	1.4%	23	1.7%	-14	7
Age 21 to 24	87	9.55%	43	3.6%	30	2.3%	-44	-13
Age 25 to 34	168	18.5%	209	17.4%	180	13.4%	41	-29
Age 35 to 44	139	15.3%	201	16.9%	235	17.5%	62	34
Age 45 to 49	78	8.5%	96	8.0%	115	8.6%	18	19
Age 50 to 54	77	8.5%	118	9.9%	125	9.3%	41	7
Age 55 to 59	53	5.9%	106	8.8%	130	9.7%	53	24
Age 60 to 64	48	5.4%	82	6.9%	111	8.3%	34	29
Age 65 to 74	88	9.7%	107	8.9%	138	10.2%	19	31
Age 75 to 84	39	4.3%	72	6.0%	76	5.7%	33	4
Age 85 and over	1	0.2%	18	1.5%	30	2.2%	17	12
Age 16 and over	826	91.0%	1,080	90.3%	1,213	90.3%	254	133
Age 18 and over	808	89.1%	1,068	89.3%	1,195	89.0%	260	127
Age 21 and over	779	85.8%	1,052	88.0%	1,172	87.2%	273	120
Age 65 and over	129	14.2%	196	16.4%	244	18.1%	67	48
Median Age	40.3		45.0		47.4		4.7	2.3
Average Age	41.1		44.7		46.4		3.7	1.7

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Household Characteristics

TIRZ #2

Household Type	2000		2009		2014	
	Count	Share	Count	Share	Count	Share
Non-family households	279		373		420	
1 person	227	81.3%	310	83.0%	351	83.7%
2 persons	46	16.6%	56	15.0%	60	14.2%
3 persons	5	1.9%	7	1.7%	8	1.8%
4 or more persons	1	0.4%	1	0.3%	1	0.2%
Family households	230		304		342	
2 persons	168	73.0%	222	73.1%	251	73.3%
3 persons	33	14.5%	45	14.7%	50	14.7%
4 or more persons	28	12.2%	37	12.2%	41	12.0%

The tables on this page illustrate household characteristics for TIRZ #2 compared with the City of Corpus Christi. The overwhelming majority of households in the TIRZ being one-person non-family and two-person family households further illustrates of the lack of children in the TIRZ. In fact, the quantity of non-family households exceeds family households in the TIRZ; this is in stark contrast to the city overall, where there are more than twice the number of family households versus non-family households in the city.

The table at the bottom of the page shows that the average household size was also substantially lower in the TIRZ (1.75) compared to 2.70 persons per household in the City.

City of Corpus Christi

Household Type	2000		2009		2014	
	Count	Share	Count	Share	Count	Share
Non-family households	28,326		29,817		30,740	
1person	22,956	25,094	84.2%	26,203	85.2%	85.4%
2persons	4,428	3,869	13.0%	3,688	12.0%	11.8%
3persons	633	605	2.0%	600	2.0%	1.9%
4ormorepersons	309	249	0.8%	249	0.8%	0.8%
Family households	70,465		74,458		76,907	
2persons	25,058	27,490	36.9%	28,810	37.5%	37.6%
3persons	17,334	18,629	25.0%	19,341	25.2%	25.2%
4ormorepersons	28,073	28,339	38.1%	28,756	37.4%	37.3%

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Household Size

TIRZ #2 vs. Corpus Christi

Average Household Size	2000	2009	2014
TIRZ #2	1.77	1.75	1.75
City of Corpus Christi	2.75	2.70	2.68

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Household Income Distribution

TIRZ #2 vs. Corpus Christi – Nominal Dollars

The tables on this page illustrate the household income characteristics of the area in the TIRZ and the City of Corpus Christi.

Overall, the income distribution in the TIRZ mirrors that of the City of Corpus Christi closely, except on a per capita basis; this is likely due to the lack of children residing in the TIRZ.

The table at the bottom of the page includes a comparison of average, median and per capita household income for the two geographies in constant 2009 dollars. According to the PCensus estimates, household incomes in the TIRZ are declining more than double the amount as the city as a whole. This may be due to the increasing number of retirees living in the TIRZ.

TIRZ #2	2000		2009		2014	
	Count	Share	Count	Share	Count	Share
Total Households	521		677		762	
Less than \$15,000	86	16.6%	109	16.1%	120	15.8%
\$15,000 to \$24,999	51	9.7%	70	10.3%	79	10.4%
\$25,000 to \$34,999	78	15.1%	91	13.5%	91	12.0%
\$35,000 to \$49,999	97	18.7%	129	19.1%	150	19.7%
\$50,000 to \$74,999	102	19.5%	125	18.5%	130	17.1%
\$75,000 to \$99,999	55	10.6%	75	11.1%	91	11.9%
\$100,000 to \$149,999	24	4.7%	39	5.8%	52	6.9%
\$150,000 to \$244,999	21	4.1%	30	4.5%	37	4.9%
\$250,000 to \$499,999	6	1.1%	7	1.0%	9	1.2%
\$500,000 or more	1	0.2%	1	0.2%	2	0.3%
CORPUS CHRISTI						
Total Households	98,779		104,275		107,647	
Less than \$15,000	19,524	19.8%	17,241	16.5%	16,459	15.3%
\$15,000 to \$24,999	14,684	14.9%	13,290	12.8%	12,739	11.8%
\$25,000 to \$34,999	13,319	13.5%	12,869	12.3%	12,502	11.6%
\$35,000 to \$49,999	16,639	16.8%	16,429	15.8%	16,382	15.2%
\$50,000 to \$74,999	17,987	18.2%	19,825	19.0%	20,405	19.0%
\$75,000 to \$99,999	8,734	8.8%	11,007	10.6%	12,008	11.2%
\$100,000 to \$149,999	5,159	5.2%	9,302	8.9%	11,460	10.7%
\$150,000 to \$244,999	1,873	1.9%	2,831	2.7%	3,852	3.6%
\$250,000 to \$499,999	614	0.6%	1,039	1.0%	1,236	1.2%
\$500,000 or more	246	0.3%	442	0.4%	604	0.6%

Measure Geography	2000 Adjusted	2009 Projection	Change %
Average household income			
TIRZ #2	\$69,976	\$57,359	-18.03%
City of Corpus Christi	\$61,407	\$57,050	-7.10%
Median household income			
TIRZ #2	\$53,460	\$42,983	-19.60%
City of Corpus Christi	\$46,734	\$42,978	-8.04%
Per capita household income			
TIRZ #2	\$40,598	\$32,468	-20.03%
City of Corpus Christi	\$22,203	\$21,009	-5.38%

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009 2000 Income statistics where adjusted to 2009 dollars using the CPI-U

MARKET OVERVIEW

TIRZ #2 Development Trends

The table below illustrates the 2003 - 2009 record of building permits within TIRZ #2. Up to now, condominium and commercial development has dominated within the TIRZ, as opposed to single family homes. Commercial permitting for new shells or buildings occurred throughout the period (see the Commercial summary below). The most significant category of permitting was new condominiums or townhouses, particularly from 2006 to 2008, during which the City issued 68 permits for new construction.

The most significant new development project planned for the TIRZ at the present time is Tortuga Dunes, located immediately north of the Packery Channel. This will be an upscale residential development with a strict Caribbean-style architectural theme. Phase I of the development includes 92 single family lots plus townhome sites which are being marketed now. There is also land reserved for a Phase II with additional home lots and potentially condominiums. The developer projects the first homes to be built in 2010, with the pace of construction picking up rapidly in 2011.

A Holiday Inn Express is reportedly planned for 14100 South Padre Island Drive.

TIRZ #2 Building Permit Trends

Number of Permits	2003	2004	2005	2006	2007	2008	2009
Commercial							
New commercial shell only		1	3	6			
New commercial building	2	9				3	2
Residential							
New apartments		1					
New condo / townhouse		2	4	35	11	22	
New single family	1	1		1	2		3
Permit Valuations	2003	2004	2005	2006	2007	2008	2009
Commercial							
New commercial shell only		\$227,000	\$696,000	\$1,887,693			
New commercial building	\$346,600	\$818,399				\$1,042,410	\$123,200
Residential							
New apartments		\$404,000					
New condo / townhouse		\$0	\$507,000	\$4,388,632	\$715,000	\$5,418,400	
New single family	\$ 4,000	\$2,500		\$82,000	\$292,200		\$383,600

Source: City of Corpus Christi

Residential

A mix of second home owners, retirees, and locally employed residents drives the North Padre Island housing market. A check of the TIRZ #2 property accounts indicates that relatively few homes are owner-occupied as a primary residence – only 204 accounts out of more than 1,500 total have claimed a homestead exemption. Nearly all residential properties in TIRZ #2 are classified as “condominium” by the Nueces County Appraisal district (1,499 condominium accounts vs. 13 single family, duplex, or triplex, plus one classified as “multifamily”).

The residential market on North Padre Island is currently in turmoil due to the national economic and financial crisis, which has negatively affected residential mortgage borrowers. From 2005 to 2008 this area experienced a surge in housing prices. Much of the demand driving the price increases was reportedly from buyers outside Texas who were either purchasing for retirement, a second home, or an income-generating investment. Since 2008, this market has decreased markedly and foreclosed properties have come to dominate the market. One real estate agent reported that two foreclosed North Padre Island townhome units (not within TIRZ #2) that originally sold for \$240,000 within the last two years sold within the last month for \$133,500 and \$160,000. Until the foreclosed properties are cleared from the market, they will continue to depress prices.

The Corpus Christi Association of realtors provided CDS | Spillette with data from the Multiple Listing Service (MLS) for 2007 through year to date 2009 for North Padre Island (both TIRZ and non-TIRZ areas). The data, as presented in the chart on the next page, show that the shares of overall sales activity generated by homes priced above \$250,000 has receded substantially from 2007 and 2008 levels. This reflects the anecdotal evidence that many formerly higher-priced residential units are now selling for much lower prices, often because of foreclosure. The median closing prices for the time period also indicate a significant shift in pricing for 2009, as shown in the table to the right.

Median Home Sale Prices

North Padre Island

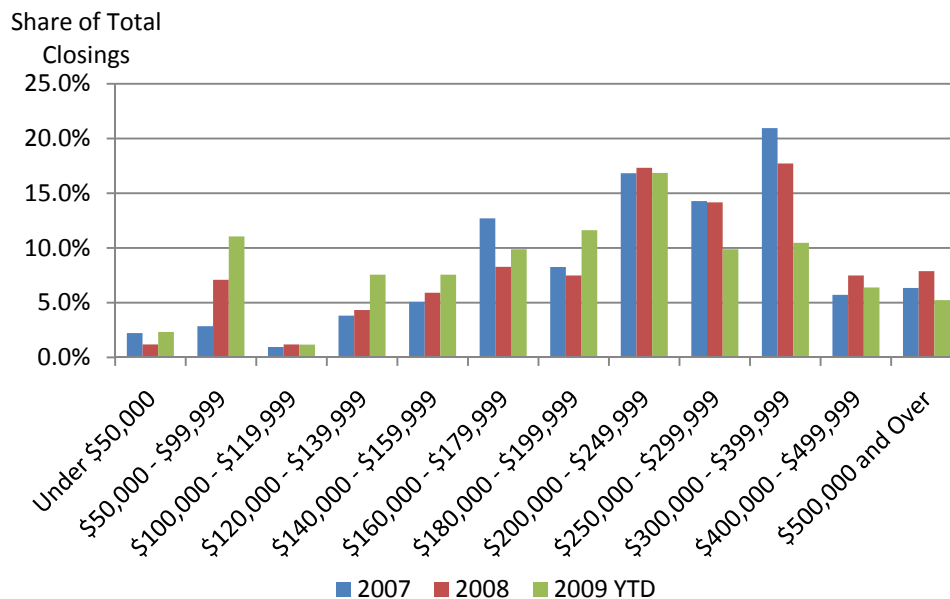
Year	Median Closing Price	Change
2007	\$231,000	
2008	\$232,500	\$1,500
2009 YTD	\$192,500	-\$40,000

Source: Corpus Christi Association of Realtors

In the long run, however, the future will bring an eventual return to strong demand and increased prices and property values. Although Corpus Christi’s job base has experienced slow growth and household incomes are moderate, North Padre Island’s residential market should not be as constrained as other areas of the city. This is because North Padre Island will attract out-of-town buyers and renters who are relatively detached from the local economy but who desire coastal property and find the area’s home prices to be more affordable than other Gulf Coast beach locations.

Trends in Home Sale Prices

North Padre Island



Source: Corpus Christi Association of Realtors

Commercial

Multi-Tenant Commercial Uses

Reliable data for commercial properties on North Padre Island is limited. A commercial broker who is active on the Island provided CDS | Spillette with some information however. A survey conducted in 2006 indicated approximately 86,000 square feet of leaseable (not owner/user) space in inventory at that time, with two properties totaling 24,732 square foot under construction. Of the built space, approximately 90 percent was occupied at that time. Rents ranged from \$0.95 per month net of utilities to \$1.65 per month, triple net.

New multi-tenant properties since 2006 include:

- Marina Plaza, 4,732 square feet, currently 75% vacant
- An addition to Padre Professional Plaza, though it is unclear whether the entire planned 20,000 square feet was actually completed; the addition is mostly occupied by a church, though some vacancy also remains
- Loma Alta Plaza, 23,000 square feet, vacancy data not available
- Padre Station, 7,901 square feet, 59% vacant
- A small retail center at 15117 – 15121 South Padre Island Drive

New single-tenant developments include a CVS drugstore and Ace Hardware.

Current occupancy rates and rents are uncertain but are reported lower than in 2006. The prime locations are near the intersection of South Padre Island Drive and SH 361, especially on the west side (the “going home” side). Traffic counts are reportedly approaching 28,000 – 30,000 vehicles per day. Traffic counts and local market area population are relatively higher on the mainland portion of the south side of Corpus Christi, putting North Padre Island at a locational disadvantage when competing for tenants.

Typical commercial tenants on North Padre Island were professional offices for businesses related to real estate. The economic slowdown and damaged residential real estate market has resulted in those firms having to shrink both employees and their occupied space. When the ensuing vacancies are being filled, it is with other types of retail businesses such as restaurants that can draw from vacationers. Significant neighborhood retail uses such as grocery stores are not yet on the island due to insufficient full time resident population.

Tourism and Hospitality

Corpus Christi receives approximately 7 million visitors per year. According to research by the Office of the Governor, over three quarters of “person-days” (one visitor spending one day in the area) to the metropolitan area comes from within Texas. Together visitors from the San Antonio and Austin areas accounted for 42 percent of total person-days in the region. The Convention and Visitors Bureau (CVB) reports marketing of Corpus Christi in the Houston region began just last year. Leisure travelers are estimated to constitute 73 percent of person-days in the Corpus Christi region. Apart from visiting family and friends, major attractions for leisure travelers include the U.S.S. Lexington and Texas State Aquarium. Fishing, beaches, and nature tourism also have a major role in visitor activities. The CVB has is trying to expand its efforts regarding nature tourism, and touts that the San Diego Audubon Society has named Corpus Christi the “birdiest city in America” for the sixth year in a row. Business travel, including meetings and conventions, makes up the balance of travel demand.

North Padre Island attracts tourists for its beaches and fishing. To accommodate these visitors, there is a large stock of vacation rental housing. North Padre Island offers five hotel properties:

- Best Western on the Island
- Hampton Inn
- Comfort Suites
- Hawthorn Suites
- Holiday Inn SunSpree Resort Hotel

All of these properties are located within TIRZ #2. The Holiday Inn Express, mentioned earlier, would also be in the TIRZ if it is built.

Among the improvements currently proposed to be funded by TIRZ #2 are amenities for the public parklands along Packery Channel. Because these amenities will likely increase visitation to these parks, their implementation should have a beneficial impact on demand for certain types of commercial uses, especially convenience retail and casual dining.

PROPERTY ACCOUNT AND TIRZ VALUE ANALYSIS

CDS | Spillette extensively analyzed the TIRZ #2 property account data provided by the Nueces County Appraisal District (Nueces CAD). Accounts were classified based on use (largely determined by the State of Texas codes used by appraisers) and by location – beachfront, other waterfront, and inland sites. Residential properties on Lake Padre were noted separately as well, due to their access to Packery Channel.

Historical Value Trends

Nueces CAD also provided historical taxable values for the TIRZ #2 accounts, going back to 2001 if available. Analysis of these values provided data on taxable value growth trends presented in the table on the following page.

The table gives the compound annual growth rates for three time intervals for all property use classes and locations for which data was available. These growth rates were often very high. Among the key observations are:

- Condominium accounts experienced rapid value increases through 2008. Beachfront and Lake Padre condo accounts experienced greater increases, on a percentage basis, than inland condos.
- Improved commercial properties showed wildly rapid value escalation from 2005 to 2008.
- Various classes of vacant land lost value from 2008 to 2009, a significant change in trend.

Historical TIRZ #2 Taxable Assessed Value Compound Annual Growth Trends

Property Use Classification	2001-2008				
	Beachfront	Lake Padre	Interior Waterfront	Inland	Waterfront Commercial
Improved condo	32.5%	35.0%	20.6%	11.3%	
Improved single family			43.1%	28.0%	
Improved multifamily					
Duplex and triplex					
Improved commercial	12.4%			34.9%	
Vacant real property inventory					
Vacant commercial				32.0%	
Vacant multifamily					
Vacant unplatted condos - single family land					
Vacant commercial lots				40.1%	
Vacant residentially platted lots-tracts				84.9%	
Property Use Classification	2005-2008				
	Beachfront	Lake Padre	Interior Waterfront	Inland	Waterfront Commercial
Improved condo	24.4%	31.8%	23.1%	22.7%	
Improved single family			130.9%	18.4%	
Improved multifamily					
Duplex and triplex					
Improved commercial				53.5%	71.6%
Vacant real property inventory			16.8%		
Vacant commercial				83.4%	
Vacant multifamily			16.5%		
Vacant unplatted condos - single family land			65.4%	273.2%	
Vacant commercial lots	38.0%		17.0%	77.1%	
Vacant residentially platted lots-tracts			31.5%	48.5%	
Property Use Classification	2008-2009				
	Beachfront	Lake Padre	Interior Waterfront	Inland	Waterfront Commercial
Improved condo	49.3%	18.7%	33.2%	20.4%	
Improved single family			239.5%	75.3%	
Improved multifamily				137.6%	
Duplex and triplex				19.9%	
Improved commercial	-52.4%			33.8%	26.0%
Vacant real property inventory			7.9%	-2.5%	
Vacant commercial				27.3%	
Vacant multifamily			80.7%	150.0%	
Vacant unplatted condos - single family land			0.4%	-49.5%	
Vacant commercial lots	-16.6%			-6.9%	-3.7%
Vacant residentially platted lots-tracts			16.1%	10.9%	

Source: Nueces County Appraisal District and CDS | Spillette

TIRZ Value Estimation and Projection

The tables on the following pages present the analysis and projections that lead to the projection of future assessed values for TIRZ #2 and TIRZ revenues.

The first table breaks down the 2009 certified taxable assessed values by property class and location as of September 2009 for the City of Corpus Christi. It also breaks down the uncertified accounts in the same manner. Different levels of taxable value loss are assumed for different classes of properties; generally, those classes which experienced more rapid increases in value up through 2008 are anticipated to suffer greater value reductions as a result of owner protest. Applying these value loss assumptions leads to an estimated certified value of the TIRZ for 2009 of \$ 380,825,433. CDS | Spillette used the same methodology for each participating jurisdiction; tables for these other jurisdictions were not included in this report.

The second table provides CDS | Spillette's projections for value appreciation and average annual new development value by property class. These projections were based on the historical property accounts analysis and market research findings. CDS | Spillette projects that value losses will occur in the near term, 2010-2011, due to falling prices and rents. By 2012-2015, values will begin to increase slowly and more new development will occur. From 2016 on, it is projected that value increases of up to 15% annually will be achievable for several property classes and new development will average more than \$25 million per year. In general, properties with beach frontage or interior waterfront (especially Lake Padre) are projected to appreciate the fastest. The same value increase and new development factors were used for each participating jurisdiction.

It should be noted that Tortuga Dunes is not included in the new development amounts in the table. Tortuga Dunes has provided a schedule of new development value that is included in the actual TIRZ value projections. Also, these projections represent incremental development on a property by property basis; they do not assume a large scale self-contained resort is developed on one of the large tracts within the TIRZ. Such a resort could add several \$100s of millions in assessed value above the increases projected by CDS | Spillette.

Estimation of Current TIRZ Value by Property Class

Property Class	Property Location	2009 Certified Taxable Value Sept. 2009	2009 Values Under Protest		Projected 2009 Final Certified Value
			Preliminary Value	Projected Protest Loss	
Improved condo	Beachfront	\$ 73,783,554	\$ 1,835,883	-30%	\$ 75,068,672
	Lake Padre	29,822,200	1,824,218	-30%	31,099,153
	Interior waterfront	20,090,193	-		20,090,193
	Inland	58,713,493	17,053,593	-30%	70,651,008
Improved single family	Interior waterfront	\$ 434,849	\$ -		\$ 434,849
	Inland	1,293,317	173,367	-30%	1,414,674
Improved multifamily	Interior waterfront	\$ 7,912,520	\$ -		\$ 7,912,520
Duplex and triplex	Inland	\$ 351,685	\$ -		\$ 351,685
Improved commercial	Beachfront	\$ 5,989,259	\$ -		\$,989,259
	Other waterfront	3,229,447	-		3,229,447
	Inland	50,495,181	1,068,677	-30%	51,243,255
Improved real property inventory	Lake Padre	\$ 153,409	\$ -		\$ 153,409
Unimproved real property inventory	Interior waterfront	\$ 517,941	\$ 640,275	-30%	\$ 966,134
	Inland	386,218	568,231	-30%	783,980
Unimproved commercial land	Inland	\$ 1,383,601	\$ 273,000	-30%	\$ 1,574,701
Unimproved multifamily land	Interior waterfront	\$ 1,021,500	\$ -		\$ 1,021,500
	Inland	2,577	\$ -		\$ 2,577
Unimproved residential unplatted land	Interior waterfront	\$ 164,504	\$ -		\$ 164,504
	Inland	24,642	-		24,642
Unimproved commercial lots	Beachfront	\$ 24,597,726	\$ -		\$ 24,597,726
	Interior waterfront	6,320,828	-		6,320,828
	Inland	45,775,050	240,626	-30%	45,943,488
Vacant residentially platted lots-tracts	Interior waterfront	\$ 15,349,519	\$ 1,144,411	-30%	\$ 16,150,607
	Inland	9,020,370	9,451,791	-30%	15,636,624
TOTAL		\$ 356,833,583	\$ 34,274,072		\$ 380,825,433

Projected Increases in TIRZ Values by Property Class

Property Class	Property Location	2010-2011		2012-2015		2016-2022	
		Annual Growth Rate	Annual New Development ¹	Annual Growth Rate	Annual New Development ¹	Annual Growth Rate	Annual New Development ¹
Improved condo	Beachfront	-20%		5%		15%	\$ 3,375,000
	Lake Padre	-20%		5%	\$ 2,700,000	15%	\$ 3,600,000
	Interior waterfront	-25%		2%		10%	\$ 1,800,000
	Inland	-30%		2%		5%	\$ 2,700,000
Improved single family	Interior waterfront	-20%	\$ 200,000	2%	\$ 750,000	10%	
	Inland	-30%	\$ 360,000	0%		5%	
Improved multifamily	Interior waterfront	-10%		2%		10%	
Duplex and triplex	Inland	-30%		0%		5%	
Improved commercial	Beachfront	0%		10%		15%	\$ 12,000,000
	Other waterfront	0%		5%		12%	\$ 1,000,000
	Inland	-10%		5%	\$ 1,000,000	10%	\$ 1,000,000
Improved real property inventory	Lake Padre	0%		5%		10%	
Unimproved real property inventory	Interior waterfront	0%		5%		10%	
	Inland	-10%		2%		5%	
Unimproved commercial land	Inland	0%		2%		5%	
Unimproved multifamily land	Interior waterfront	0%		5%		10%	
	Inland	0%		2%		5%	
Unimproved residential unplatted land	Interior waterfront	0%		2%		10%	
	Inland	0%		0%		5%	
Unimproved commercial lots	Beachfront	0%		10%		15%	
	Interior waterfront	0%		5%		15%	
	Inland	-10%		2%		10%	
Vacant residentially platted lots-tracts	Interior waterfront	0%		2%		10%	
	Inland	-10%		0%		5%	
TOTAL			\$ 560,000		\$ 4,450,000		\$ 25,475,000

¹ Does not include Tortuga Dunes. Source: CDS | Spillette

The TIRZ value increase projections are then applied to the projected 2009 certified assessed value for TIRZ #2 for each property class. The Tortuga Dunes projected value additions (see table at right) are then introduced; the negative increment in 2010 is due to dedication of existing taxable property for public use, taking its taxable value to zero.

The result of these calculations is a projected taxable value and value increment for the TIRZ, provided in the table on the next page. The assessed value increments for each jurisdiction are based on their respective base year taxable values as shown in the table below.

Tortuga Dunes Value Schedule

Tax Year	Projected Assessed Value	Incremental Value Added
2009	\$18,640,008	
2010	\$17,720,205	\$(919,803)
2011	\$51,224,715	\$33,504,510
2012	\$66,946,125	\$15,721,410
2013	\$77,890,140	\$10,944,015
2014	\$83,900,000	\$6,009,860

Source: Forestar

Participating Jurisdiction Base Year Values

Jurisdiction	Base Year Taxable Value
City of Corpus Christi	\$81,732,341
Nueces County	\$81,581,144
Nueces County Hospital District	\$81,732,341
Del Mar Junior College	\$82,513,867
Farm to Market Road District	\$82,708,597

Sources: City of Corpus Christi and Nueces County Appraisal District

Project TIRZ #2 Assessed Value by Participating Jurisdiction

PROJECTED ASSESSED VALUE					
Tax Year	City of Corpus Christi	Nueces County	Nueces County Hospital District	Del Mar Jr. College	Farm to Market Road
2009	380,825,433	377,027,804	377,027,804	382,757,294	376,776,909
2010	320,245,351	317,347,217	317,347,217	321,720,450	317,163,481
2011	307,194,087	304,974,332	304,974,332	308,324,444	304,840,076
2012	338,655,659	336,353,086	336,353,086	339,828,313	336,214,560
2013	366,192,055	363,803,032	363,803,032	367,408,871	363,660,078
2014	389,702,663	387,223,386	387,223,386	390,965,597	387,075,840
2015	411,435,230	408,861,715	408,861,715	412,746,329	408,709,405
2016	486,191,313	483,312,318	483,312,318	487,658,942	483,142,951
2017	570,745,210	567,519,915	567,519,915	572,390,395	567,331,227
2018	666,451,157	662,832,970	662,832,970	668,297,914	662,622,374
2019	774,856,231	770,791,945	770,791,945	776,931,996	770,556,480
2020	897,728,294	893,157,125	893,157,125	900,064,425	892,893,404
2021	1,037,088,042	1,031,940,526	1,031,940,526	1,039,720,393	1,031,644,672
2022	1,195,245,758	1,189,442,482	1,189,442,482	1,198,215,334	1,189,110,054
ASSESSED VALUE INCREMENT					
Tax Year	City of Corpus Christi	Nueces County	Nueces County Hospital District	Del Mar Jr. College	Farm to Market Road
2009	298,311,566	295,295,463	295,295,463	300,048,697	295,195,765
2010	237,731,484	235,614,876	235,614,876	239,011,853	235,582,337
2011	224,680,220	223,241,991	223,241,991	225,615,847	223,258,932
2012	256,141,792	254,620,745	254,620,745	257,119,716	254,633,416
2013	283,678,188	282,070,691	282,070,691	284,700,274	282,078,934
2014	307,188,796	305,491,045	305,491,045	308,257,000	305,494,696
2015	328,921,363	327,129,374	327,129,374	330,037,732	327,128,261
2016	403,677,446	401,579,977	401,579,977	404,950,345	401,561,807
2017	488,231,343	485,787,574	485,787,574	489,681,798	485,750,083
2018	583,937,290	581,100,629	581,100,629	585,589,317	581,041,230
2019	692,342,364	689,059,604	689,059,604	694,223,399	688,975,336
2020	815,214,427	811,424,784	811,424,784	817,355,828	811,312,260
2021	954,574,175	950,208,185	950,208,185	957,011,796	950,063,528
2022	1,112,731,891	1,107,710,141	1,107,710,141	1,115,506,737	1,107,528,910

Source: CDS | Spillette

CDS | Spillette

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