

A Report of the Economic Impact of LaVista Pointe in Corpus Christi, Texas

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A Report of the Projected Economic Impact from LaVista Pointe

Introduction

This report presents the results of an economic impact analysis performed by Impact DataSource, Austin, Texas. The analysis was to determine the impact that LaVista Pointe will have on the economy of the Corpus Christi area and the costs and benefits for local taxing districts over the next ten years.

Summary of the Results of the Analysis

The analysis shows that the City of Corpus Christi will receive the following additional new net revenues from the company's facility in Corpus Christi and from direct and indirect workers over the next ten years:

New Net Revenues for the City over Ten Years	
New net revenues	\$1,522,597
Present value of new net revenues	\$1,097,682

Tax Abatement

The City of Corpus Christi is considering abating the firm's property taxes at the following percentages:

Percentage of Taxes to be Abated	
Year 1	0%
Year 2	0%
Year 3	0%
Year 4	0%
Year 5	0%
Year 6	0%
Year 7	0%
Year 8	0%
Year 9	0%
Year 10	0%

If taxes are abated, as proposed, the following property taxes will be abated by the city:

City Taxes to be Abated	
Year 1	\$0
Year 2	\$0
Year 3	\$0
Year 4	\$0
Year 5	\$0
Year 6	\$0
Year 7	\$0
Year 8	\$0
Year 9	\$0
Year 10	\$0
Total	\$0

Type A Corporation Incentives

The Type A corporation is considering incentives for the company to create engineering jobs in the city. These possible incentives may have the following average annual rate of return and payback period:

Return and Payback on Tax Revenues for the City			
Net revenues for the City over the next five years			\$683,170
Net revenues for the City over the next ten years			\$1,522,597
Analysis of possible incentives for the firm:			
	Average Annual Rate of Return on the Type A Corporation's Possible Investment Incentives	Payback Period of Incentives to the City, in Years	
	\$625,000	24.4%	4.6

Total Possible City and Type A Corporation Incentive Package

The estimated possible incentive package for the project is shown below.

Possible Incentive Package	
City tax abatement, 50% for five years	\$0
Type A corporation cash incentives with 4.6 year payback	\$625,000
Total	\$625,000

Description of Facility

LaVista Pointe is a proposed 150 unit apartment complex and 25 boat dock slips.

Monthly rents on apartment units will be about \$1,000 and rentals on each slip will be about \$280 a month.

The developer will invest \$15 million in the facility.

The project will create eight new jobs with an annual payroll of \$280,000.

The Economic Impact of the Company over the Next 10 Years

The company, its workers and workers in indirect jobs created in the community will have the following economic impact on the Corpus Christi area over the next ten years:

Economic Impact of the Company Operations Over the Next 10 Years	
Total number of new direct and indirect jobs to be created	12
Number of direct and indirect workers who will move to the City	0
Number of new residents in the City	0
Number of new residential properties to be built in the City	0
Number of new students expected in Corpus Christi ISD	0
Salaries to be paid to direct and indirect workers	\$5,441,975
Taxable sales and purchases expected in the City	\$10,342,640
The value of new residential property to be built for direct and indirect workers who move to the City by Year 10	\$0
The firm's property added to local tax rolls	\$14,000,000

How this economic activity translates into costs and benefits for local taxing districts is discussed next.

Costs and Benefits for Local Taxing Districts over the Next 10 Years

Local taxing districts can expect costs and benefits over the next ten years from operations of the firm, its workers and workers in indirect jobs created in the community. These costs and benefits are scheduled below, beginning with the revenues that will be received by local taxing districts.

Revenues for Local Taxing Districts

Public Revenues from the Firm's Operations over Next Ten Years				
	Sales Taxes	Property Taxes	Utility Revenues	Utility Franchise Fees
City of Corpus Christi	\$142,211	\$929,379	\$5,764,747	\$162,769
Nueces County		\$472,138		
Corpus Christi ISD		\$1,897,039		
Port of Corpus Christi		\$0		
Del Mar College		\$397,333		
Hospital District		\$185,944		
Corpus Christi Crime Control District	\$12,928			
Corpus Christi MTA	\$51,713			
Total	\$206,853	\$3,881,833	\$5,764,747	\$162,769
	Hotel Occupancy Taxes	Other Taxes and User Fees	Additional State and Federal School Funding	Total Revenues
City of Corpus Christi	\$0	\$0		\$6,999,107
Nueces County				\$472,138
Corpus Christi ISD			\$0	\$1,897,039
Port of Corpus Christi				\$0
Del Mar College				\$397,333
Hospital District				\$185,944
Corpus Christi Crime Control District				\$12,928
Corpus Christi MTA				\$51,713
Total	\$0	\$0	\$0	\$10,016,202

Costs for Local Taxing Districts

While local taxing districts will receive revenues from the firm, its workers and from indirect workers, local districts may also incur additional costs. The following costs will be incurred over the next ten years, as a result of the firm's operations in Corpus Christi.

Public Costs from the Firm's Operations Over the Next Ten Years				
	Costs of Providing Monthly Utilities to the Facility and to New Residents	Cost of Municipal Services for New Residents	Costs of Providing Services to New Students	Total
City of Corpus Christi	\$5,476,510	\$0		\$5,476,510
Nueces County				\$0
Corpus Christi ISD			\$0	\$0
Port of Corpus Christi				\$0
Del Mar College				\$0
Hospital District				\$0
Corpus Christi Crime Control District				\$0
Corpus Christi MTA				\$0
Total	\$5,476,510	\$0	\$0	\$5,476,510

Net Benefits for Local Taxing Districts

The net benefits from the firm's operations for local taxing districts over the next 10 years will be as follows:

Net Benefits Over the First 10 Years from the Firm's Operations			
	Benefits	Costs	Net Benefits
City of Corpus Christi	\$6,999,107	\$5,476,510	\$1,522,597
Nueces County	\$472,138	\$0	\$472,138
Corpus Christi ISD	\$1,897,039	\$0	\$1,897,039
Port of Corpus Christi	\$0	\$0	\$0
Del Mar College	\$397,333	\$0	\$397,333
Hospital District	\$185,944	\$0	\$185,944
Corpus Christi Crime Control District	\$12,928	\$0	\$12,928
Corpus Christi MTA	\$51,713	\$0	\$51,713
Total	\$10,016,202	\$5,476,510	\$4,539,692

Discounted Cash Flow for Local Taxing Districts

The discounted cash flow over the next ten years for each taxing district from the firm's operations is shown below:

Discounted Cash Flow Over the Next 10 Years	
City of Corpus Christi	\$1,097,682
Nueces County	\$344,217
Corpus Christi ISD	\$1,383,054
Port of Corpus Christi	\$0
Del Mar College	\$289,679
Hospital District	\$135,564
Corpus Christi Crime Control District	\$9,374
Corpus Christi MTA	\$37,496
Total	\$3,297,065

The above discounted cash flow or present value of net benefits is a way of expressing in today's dollars, dollars to be paid or received in the future. Today's dollar and a dollar to be received or paid at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing district's discount rate. This analysis uses a discount rate of 6% to make the dollars comparable -- by expressing them in today's dollars or in present value.

Net Benefits to be Received by the City of Corpus Christi from (1) the Firm and (2) New Workers Over the First Ten Years

The City of Corpus Christi will receive benefits from spending and investments by the firm and from spending by workers. These benefits, over the next 10 years, are shown below for these two categories.

Schedule of Benefits for the City from the Firm and New Workers			
	Benefits from:		Total
	The Firm	Workers	Benefits
Revenues:			
Sales taxes	\$116,022	\$26,190	\$142,211
Property taxes	\$929,379	\$0	\$929,379
Utility revenues	\$5,764,747	\$0	\$5,764,747
Utility franchise fees	\$162,769	\$0	\$162,769
Other taxes and user fees		\$0	\$0
Hotel-motel taxes	\$0		\$0
Total revenues	\$6,972,917	\$26,190	\$6,999,107
Costs:			
Costs of providing utilities	\$5,476,510	\$0	\$5,476,510
Costs of providing municipal services for new residents		\$0	\$0
Total costs:	\$5,476,510	\$0	\$5,476,510
Net benefits	\$1,496,407	\$26,190	\$1,522,597
Percent of total net benefits for the City	98%	2%	

Tax Abatement that May Be Available to the Firm

The City of Corpus Christi is considering abating the firm's property taxes at the following percentages:

Percentage of Taxes to be Abated	
Year 1	0%
Year 2	0%
Year 3	0%
Year 4	0%
Year 5	0%
Year 6	0%
Year 7	0%
Year 8	0%
Year 9	0%
Year 10	0%

If taxes are abated, as proposed, the following property taxes will be abated:

City Taxes to be Abated	
Year 1	\$0
Year 2	\$0
Year 3	\$0
Year 4	\$0
Year 5	\$0
Year 6	\$0
Year 7	\$0
Year 8	\$0
Year 9	\$0
Year 10	\$0
Total	\$0

Analysis of Possible Incentives that May be Offered to the Firm

The Type A corporation may considering other incentives for the company to add property to local tax rolls and create new jobs in the city.

This analysis considers the possible Type A corporation's incentives that may be provided to the firm as a public investment for the benefit of the City. The returns on this investment are the additional net benefits that the City will receive from the firm, its workers and workers in indirect jobs created in the community, in the form of additional taxes and other revenues.

Four calculations analyzing this investment were made -- net benefits, discounted cash flow, rate of return on investment and payback period. Total net benefits and discounted cash flow for the City are scheduled above. Rate of return on investment and payback period are discussed and scheduled below.

Rate of return on investment is the average annual rate of return, over each of the next ten years, that the City will receive from additional revenues as a result of the City's investment in the facility.

Payback period is the number of years that it will take the City to recover the investment from revenues that the City will receive from the firm and its new direct and indirect employees.

The average annual rates of return on investment over the next ten years and the investment payback period on the Type A corporation's possible incentives for the company are shown below:

Return and Payback on Tax Revenues for the City			
Net revenues for the City over the next five years			\$683,170
Net revenues for the City over the next ten years			\$1,522,597
Analysis of possible incentives for the firm:			
	Possible Incentives	Average Annual Rate of Return on the Type A Corporation's Investment Incentives	Payback Period of Incentives to the City, in Years
	\$625,000	24.4%	4.6

Conduct of the Analysis

This analysis was conducted by Impact DataSource using data, rates and information supplied by the firm to the Corpus Christi Regional Economic Development Corporation and other information supplied by the CCREDC. In addition, Impact DataSource used certain estimates and assumptions.

Using this data, the economic impact from the facility and the costs and benefits for the City of Corpus Christi and other local taxing districts were calculated for a ten year period.

In addition to the direct economic impact of the firm and its employees, spin-off or indirect and induced benefits were also calculated. Indirect jobs and salaries will be created in new or existing area firms, such as office supply companies and air conditioning service firms, that may supply goods and services to the firm. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

To estimate the indirect and induced economic impact of the facility and its employees on the Corpus Christi area, regional economic multipliers were used. Regional economic multipliers for Texas and areas of the state are included in the US Department of Commerce's Regional Input-Output Modeling System (RIMS II).

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier.

An employment multiplier was used to estimate the number of indirect and induced jobs created and supported in the Corpus Christi area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The multipliers show the estimated number of indirect and induced jobs created for every one direct job at the facility and the amount of salaries paid to these workers for every dollar paid to a direct worker at the facility. The multipliers used in this analysis are the following:

Employment multiplier	0.4480
Earnings multiplier	0.7348

About Impact DataSource

Impact DataSource is 24-year-old Austin economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Texas and 39 other states. In addition, the firm has developed economic impact analysis computer programs for several clients, including the New Mexico Economic Development Department.

The firm's principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.

Data used in the analysis, along with schedules of the results of calculations, are on the following pages.