



# Corpus Christi and Coastal Bend Economic Pulse

College of Business and EDA University Center  
Texas A&M University-Corpus Christi

2014 | No. 3

---

## Community Benefits of Type A Funds

*By Jim Lee*

This article reviews the economic significance of the City of Corpus Christi's Type A funds, which are supported by a one-eighth cent sales tax. Quantitative evidence supports that the public funds have benefited the local community by: (1) maintaining sustainable development of the downtown business and residential community; (2) enhancing the quality of life of Corpus Christi residents; (3) promoting continued development of local tourism; (4) fulfilling the housing needs of low-income families and seniors; (5) facilitating the development of a skilled workforce through local higher education institutions; (6) nurturing career development for college graduates; and (7) assisting the development or expansion of both large and small local businesses.

For more than 50 years since 1961, Texas residents have been paying sales tax almost daily. With no income tax, sales and property tax revenues have been the primary funding sources for both the state and local government entities. The current sales tax rate for the City of Corpus Christi is 8.25 cents per taxable dollar, and the state levies 6.25 cents of that total.

The City government has been collecting the maximum rate of 2 cents allowed by the state since local voters approved an additional one-eighth cent to the sales tax in 2001. That portion of the local tax revenue constitutes the Business and Job Development Corporation funds, commonly known as the Type A funds. The Type A funds support three types of community development projects, namely the improvement of the downtown seawall; the construction of a multi-purpose arena; and business and workforce development programs. Since 2001, an average of approximately \$6 million in sales tax revenue has been collected each year. Decisions on the distribution of the funds are made by members of a special board, known as the Type A Board (formerly 4A Board). Members of this board are community leaders appointed by the City Council. A cumulative total of \$14 million has been paid out from those three fund accounts.

How have those funds performed over the course of more than 10 years? This article summarizes how the funds have been dispersed, and how the funded programs have benefited the local community.

### **Seawall Improvement Fund**

Since inception, the funds allocated towards improvement of the downtown seawall have totaled \$43 million. The seawall is a crucial part of the downtown landscape, and the benefits of its maintenance can be grouped into three categories. First, the maintenance work has brought physical impacts to the seawall by reducing erosion landward of the seawall structure, which helps protect properties and infrastructure in downtown Corpus Christi.

Second, the seawall generates positive social impacts by allowing for the development of recreational space with public facilities at the waterfront downtown. In particular, the sidewalk by the seawall serves as part of Shoreline Drive's right-of-way for both drivers and pedestrians, as well as part of the Bayfront Hike and Bike Trail. Some area protected by the seawall also serves as a public park with open space for entertainment.

The third type of community impact is the benefit in economic terms as a result of the physical and social impacts that the seawall brings to the city. A well maintained seawall benefits the local community by (1) preserving or enhancing the market values of residential and business properties downtown; (2) integrating downtown convention facilities and other businesses that support tourism; (3) integrating port-related facilities that support shipping activities; (d) providing visual amenity for both local residents and visitors; and (4) providing potential cost savings from damages to properties and infrastructure in the event of a failure of the seawall due to a hurricane or storm.

## Downtown Businesses

Businesses in the 551 acres of the Corpus Christi downtown area make up about 7 percent of the city's total business establishments. A great majority of those businesses, such as hotels and restaurants, serve out-of-town visitors. Downtown Corpus Christi plays a major role in local tourism. Out-of-town visitors bring a total of \$1.2 billion to the metro area each year. More than 10 percent of their trips are associated with conventions, concerts and spectator sports in the downtown area. Such activities contribute to an estimated total of \$127 million per year in tourism dollars, which also include spending on local hotels and motels, restaurants, convenience stores and so on.

## Downtown Tourism Activities

	Visitors Trips	Annual Spending	% Total
<b>Corpus Christi MSA Total</b>	<b>7.42 mil</b>	<b>\$1,154 mil</b>	<b>100%</b>
<b>Downtown Total</b>	<b>0.82 mil</b>	<b>\$127 mil</b>	<b>11%</b>
Convention	0.22 mil	\$35 mil	3%
Concert, play, dance etc.	0.45 mil	\$69 mil	6%
Sports (baseball, hockey)	0.15 mil	\$23 mil	2%

Source: Lee (2013).

## Arena Facility Fund

The second account of the Type A funds is dedicated to the development of a multipurpose facility, officially named as the American Bank Center (ABC) arena. Today, approximately \$50 million has been drawn from that account.

Since its completion, the ABC has been the primary venue for large conventions and recreational activities in South Texas. Events held at the ABC have generated a cumulative total of \$30 million in revenues, which include convention fees, food and beverages, and other services. That amount of revenues represents the direct benefits that event attendants value. As a large portion of the attendees comes from out of town, the ABC also generates visitors' spending on lodging and food, and visits to other local attractions during their stay in the area. According to a study by Impact DataSource (2008), the total economic impact of the ABC, including its ripple effects on the rest of the business community, amounts to \$18 million annually.

## Economic Development Fund

The third fund account that has been supported by the one-eighth cent city sales tax was passed in 2002. The fund it is dedicated to economic development. The accompanying table on the right shows a breakdown of the fund. The fund has been allocated to the construction of a baseball stadium named as Whataburger Field, affordable homes, and financial support for business incentives and job creation programs.

### Economic Development Fund Accounts

Expenditure Details	Amount
Baseball Stadium	\$3.9 mil
Affordable Housing	\$4.0 mil
Major Business Incentives	\$11.3 mil
Small Business Projects	\$3.9 mil
Debt Service	\$22.3 mil
Administration	\$0.8 mil
<b>TOTAL</b>	<b>\$45.5 mil</b>

## Baseball Stadium

### Annual Economic Impact of Whataburger Field

Sources of Economic Impact	Amount
Stadium's Local Purchases	\$2.4 mil
Attendants' Purchases at the Stadium	\$12.0 mil
Local Residents' Spending	\$2.9 mil
Visitors' Spending (lodging, food, etc.)	\$1.8 mil
<b>TOTAL</b>	<b>\$19.0 mil</b>

Source: Impact DataSource, 2013.

ing local impact of \$19 million annually in the form of increased business activity directly and indirectly associated with the stadium's operation, its attendants' purchases on site, and other spending by local residents and out-of-town visitors. The additional business activities associated with the stadium support an equivalent of 300 permanent jobs. Its baseball events generate a total of 3,500 hotel nights per year from visitors and visiting teams.

Opened in 2005, Whataburger Field is home to Corpus Christi Hooks and Texas A&M University-Corpus Christi's Islander baseball team. That stadium provides facilities for baseball games and other sports events that enhance the quality of life of both local attendants and visitors to Corpus Christi.

In economic terms, Impact DataSource (2013) has reported that Whataburger Field generates an ongoing

## Affordable Housing

Since 2002, a cumulative total of \$4 million has been allocated to constructing and rehabilitating affordable housing units in Corpus Christi. For each new affordable home, the construction phase creates a one-time direct economic impact on the construction industry, on par with building comparable housing units. The total funding of \$4 million has helped support the construction of an estimated 50 affordable housing units.

The impact of affordable homes should be appreciated not only during their construction, but also after construction is complete. Drawing on findings of National Association of Home Builders (2010), affordable housing generates the following permanent effects. First, additional jobs and spending are created when those homes are occupied: Each household that occupies an affordable home supports 15 jobs (compared to 16 jobs for market-rate property), contributing to a total impact of \$1 million annually for local business owners and employees. Second, affordable home projects help attract both new employers and low-skill workforce. Third, affordable housing helps maintain or even raise surrounding property values, which in turn increase

local and state tax revenues. Fourth, evidence supports that affordable homes help reduce the foreclosure and delinquency rates among their owners. Finally, affordable homes leave low-income families with more disposable income to spend on local goods and services.

### Funding for Higher Education

The majority of decisions for the allocation of the Type A funds are related to proposed economic or workforce development projects. Those projects can be grouped into three types: workforce training by local higher education institutions and other non-profit training facilities; financial incentives for major business development; and small business and career development programs.

Together, Coastal Bend Craft Training Center, Del Mar College and Texas A&M University-Corpus Christi have received a cumulative total of \$8 million from the City. Those institutions reported a total of 16 full-time-equivalent jobs created directly through the funds. However, the true economic values of those projects should be measured not by direct job creation associated with the increased public spending, but rather the benefits to society as a result of a more educated and skilled workforce. More education and skill training in the community would translate into income gains for the graduates over the course of their working lives.

### Local Business Incentives and Projects

A total of 9 companies have received major business incentives from the City. With a cumulative total funding of \$3 million, those companies reported a combined total of 1,450 jobs created or retained as a result. So far, most of the funds from this business incentives account have been dispersed to local businesses for expansion as opposed to luring new employers to the area.

In addition to promoting the development of local businesses, the City has also supported career development for college graduates as well as promotion of local entrepreneurship. Funding of this Small Business Projects account is geared towards enhancing local labor market efficiency by matching specific skill needs with job seekers. Internship programs, the majority of the funded projects, enhance the marketability of local graduates from Texas A&M University-Corpus Christi and Del Mar College. Organizations such as ACCION and Workforce Solutions of the Coastal Bend further support the function of local labor markets with job postings data and other services such as interview training. Other programs were aimed at developing startup companies and stimulating job creation. For instance, SCORE, a small business counseling group, assists small businesses through workshops and mentoring. Similarly, Del Mar's Fast Track program has helped small businesses to expand their business through coursework.

Funding for projects in the Small Business category amounts to nearly \$4 million, with a reported total of 513 jobs created or retained. However, the true impact on the business community far exceeds what those aggregate numbers suggest. The eight funded programs together have served over 5,000 local businesses, and 755 college-level interns for developing their careers.

The key economic challenge faced by the South Texas community is its deficiency in education attainment, which is the culprit for the region's overall lackluster economic development until recently. The goal of the Economic Development fund, as approved by local voters in 2002, is to stimulate the growth of *high-paying* jobs in particular. As evident in the recent history of Austin, the nation's economic leader, this goal can be achieved through the development of a highly educated workforce along with innovative entrepreneurship.

### University Programs

The significance of education in economic development is the rationale for the City's funding of a variety of programs at the local higher education institutions. Texas A&M University-Corpus Christi is a major recipient of the Type A funds. For instance, the Type A Board dispersed \$100,000 to the university for the development of its new mechanical engineering degree in 2009. More than 300 students are now enrolled in this engineering program. Given a reported average annual starting salary of \$75,000 for the graduates, the public funding has helped generate an estimated \$23 million in wage earnings per year.

**TAMUCC Programs and Impacts**

Program	Funding Amount	Economic Impact (Annual)	
		Financial	Employment
CBBIC	\$1.5 mil	\$5 mil client revenues	113 jobs
Mechanical Engineering	\$0.1 mil	\$23 mil salaries	311 students
Research Lab	\$0.3 mil		
UAS	\$0.6 mil	\$26 mil output	120 jobs
Small Business Internships	\$1.0 mil	\$5 mil salaries	6 jobs/100 interns
<b>TOTAL</b>	<b>\$4.5 mil</b>	<b>≥\$60 mil</b>	<b>≥650 jobs</b>

The City has also funded \$1.5 million for the establishment of the university's Coastal Bend Business Innovation Center (CBBIC). Since its inception in 2009, the Center has helped with the development of over 100 new local business ventures. A large number of those businesses are in high-tech or "green" manufacturing industries, which are largely absent in the region.

In 2013, the Type A Board approved the funding for the university's establishment of a headquarter for an unmanned aircraft systems (UAS) test-site, which was subsequently approved by the FAA. This project, housed in the CBBIC, promises to generate an annual economic impact of \$26 million and hundreds of jobs.

*College of Business, Unit 5808  
6300 Ocean Drive  
Corpus Christi, Texas 78412  
USA*

Return Service Requested:  
Please send corrected  
mailing label to the above  
address

2014 No. 3

Page 4

## Economic Pulse

Texas A&M University-Corpus Christi, College of Business  
Dr. John Gamble, Dean, College of Business



*Editor:*

Jim Lee  
Chief Economist  
EDA University Center

*Assistant to the Editor:*

Shawn Elizondo

Corpus Christi and Coastal Bend Economic Pulse is a joint publication of the College of Business and EDA University Center at Texas A&M University-Corpus Christi. Material may be reprinted if the source is properly credited.

For past issues of this newsletter or information about the Corpus Christi or Coastal Bend economy, visit us online at [pulse.cob.tamucc.edu](http://pulse.cob.tamucc.edu) or [coastalbendinnovation.com/eda](http://coastalbendinnovation.com/eda).

Any opinions expressed or implied are solely those of the original authors and do not reflect the views of the College of Business or Texas A&M University-Corpus Christi. Please send correspondence to Jim Lee, (361) 825-5831 or email [jlee@tamucc.edu](mailto:jlee@tamucc.edu).

## (continued)

Texas A&M University-Corpus Christi has received \$4.5 million in grants from the City. Judging by the added incomes or business revenues alone, the funded programs have generated at least 10 times more financial benefits than the amount of public funding. This means that for every dollar of public investment, taxpayers reap more than \$10 each year in benefits to society.

## No Free Lunch

Substantial data support that most economic development programs funded by the 1/8 cent sales tax have benefited the local community at large. Yet the significance of those programs is multifaceted and far-reaching—far beyond those returns reported here in dollars and cents. While the benefits to society from those tax dollars invested seem substantial, funding decisions by Type A Board members are by no means simple in light of a limited budget, which reflects society's scarce resources.

According to economic theory, other things being equal, policy-makers maximize societal welfare if they pursue each prospective community development project that delivers at least one dollar's worth of additional benefit to the community, given one additional public investment dollar. This general rule of marginal benefit vs. marginal cost, however, provides no guidance for differentiating competing projects that carry the same economic value. In this case, priorities depend on society's collective preferences.

*Notes: This article is adapted from a presentation made to the Type A Board of the City of Corpus Christi on February 17, 2014.*