

Corpus Christi Tax Increment Reinvestment Zone #3 Downtown Incentives

July 28, 2020



Adopted Incentive Programs

| PROGRAM | POSSIBLE INCENTIVE | QUALIFYING CATEGORIES | AVAILABILITY |
|---|--|---|-----------------------|
| New Commercial Tenant Finish-Out Grant Program | Up to \$10 per sq./ft. Reimbursement | <ul style="list-style-type: none"> • Dining, Entertainment, or Mixed Use Development • 1st Floor, Active Street Location • Wall, Floor & Permanent Fixtures • Currently Vacant | \$100,000, Annually |
| Chaparral Street Property Improvement Grant Program | Up to 50/50 Reimbursement Grant | <ul style="list-style-type: none"> • Building Improvement Costs Related to Occupying a Vacant Structure | \$200,000, Annually |
| Downtown Living Initiative | Up to \$10,000 Rebate per Multi-family Unit | <ul style="list-style-type: none"> • At Least 10 Unit Development | 100 Units, Annually |
| Project Specific Development Agreement | Up to 75% of 10 Year Tax Reimbursement Grant | <ul style="list-style-type: none"> • Environmental Remediation • Code Compliance • Historic Preservation • Structured Parking • Urban Design/Landscaping • Public Improvements/Utilities • Residential Developments over 100 Units (\$10,000 per Unit) | Based on Project Cost |



Incentive Investment & Value Tracking

| Project | Description | Project Cost | Incentive Value | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------|------------------------|----------------|-----------------|--|---------------|---------------|---------------|---------------|
| 600 Bldg | 131 Unit Conversion | \$ 49,000,000 | \$ 1,300,000 | \$ 1,806,000 | \$ 1,555,333 | \$ 1,555,333 | \$ 2,850,000 | \$ 2,850,000 |
| Ward Bldg | Mixed Use | \$ 4,300,000 | \$ 390,000 | \$ 217,264 | \$ 217,264 | \$ 312,864 | \$ 312,864 | \$ 312,864 |
| 807 NUB | Office Building | \$ 10,400,000 | \$ 520,000 | \$ 750,000 | \$ 750,000 | \$ 939,327 | \$ 939,327 | \$ 939,327 |
| Frost Bank | New Bank Building | \$ 35,000,000 | \$ 600,000 | \$ 353,855 | \$ 444,355 | \$ 1,755,959 | \$ 9,255,959 | \$ 23,970,077 |
| Marriott | 101 Room Hotel | \$ 15,000,000 | \$ 940,000 | \$ 1,325,963 | \$ 2,036,688 | \$ 2,391,348 | \$ 3,809,986 | \$ 7,596,688 |
| Stonewater (401 S Water) | Landlord Improvements | \$ 755,000 | \$ 200,000 | (See Nueces Brewing) | | | | |
| Dusty's Art Gallery | Art Gallery Space | \$ 308,000 | \$ 30,000 | \$ 45,159 | \$ 45,159 | \$ 45,673 | \$ 45,673 | \$ 45,754 |
| Moonshine & Ale (Tenant) | Piano Bar | \$ 428,000 | \$ 50,000 | (See Centre Theater LLC - 301 N Chaparral) | | | | |
| Centre Theatre LLC (301 Chap) | Landlord Improvements | \$ 18,964 | \$ 9,482 | \$ 265,128 | \$ 265,128 | \$ 262,349 | \$ 262,349 | \$ 409,700 |
| Centre Theatre LLC (305 Chap) | Landlord Improvements | \$ 18,964 | \$ 9,482 | \$ 278,576 | \$ 278,576 | \$ 281,861 | \$ 281,861 | \$ 283,409 |
| H2O Market Trust - Lucy's | Coffee and Snack Bar | \$ 72,000 | \$ 20,390 | \$ 2,589,072 | \$ 2,579,885 | \$ 2,640,061 | \$ 2,640,061 | \$ 2,467,079 |
| Chels Marie | Vintage Shop | \$ 16,878 | \$ 8,439 | \$ 102,948 | \$ 101,752 | \$ 97,822 | \$ 99,677 | \$ 104,707 |
| Urbana | Adaptive Reuse | \$ 144,000 | \$ 72,000 | \$ 350,000 | \$ 349,385 | \$ 340,500 | \$ 340,500 | \$ 340,500 |
| BUS | Adaptive Reuse | \$ 350,000 | \$ 100,000 | \$ 308,248 | \$ 390,000 | \$ 390,000 | \$ 759,579 | \$ 759,579 |
| Studio 44 Apts | 44 Unit Conversion | \$ 2,900,000 | \$ 185,000 | \$ 325,000 | \$ 325,000 | \$ 325,000 | \$ 325,000 | \$ 1,113,010 |
| Muse Bistro (Tenant) | Chic Casual Restaurant | \$ 19,140 | \$ 7,888 | \$ 299,382 | \$ 299,382 | \$ 285,813 | \$ 285,813 | \$ 285,813 |
| Fresco (Tenant) | Paleta Restaurant | \$ 92,000 | \$ 22,640 | \$ 252,988 | \$ 252,988 | \$ 309,839 | \$ 309,839 | \$ 309,839 |
| K Space (Tenant) | Art & Consignment Shop | \$ 32,450 | \$ 6,490 | \$ 136,224 | \$ 136,224 | \$ 135,161 | \$ 135,161 | \$ 353,162 |
| Cre8ive Culture (Tenant) | Art Shop | \$ 34,548 | \$ 6,910 | \$ 220,000 | \$ 350,000 | \$ 350,000 | \$ 350,000 | \$ 350,000 |
| Nueces Brewing (Tenant) | Brewery | \$ 1,070,000 | \$ 61,700 | \$ 1,025,654 | \$ 1,025,654 | \$ 1,250,000 | \$ 1,250,000 | \$ 2,096,453 |
| TOTALS | | \$ 119,959,944 | \$ 4,540,421 | \$ 10,651,461 | \$ 11,402,773 | \$ 13,668,910 | \$ 24,253,649 | \$ 44,587,961 |
| | | | | \$ 751,312 | \$ 2,266,137 | \$ 10,584,739 | \$ 20,334,312 | |

**\$33,936,500 increase in Ad Valorem Value in
4 Years Due to DMD / TIRZ #3 Intervention**



Return on Investment

| Incentive | Total Project Value Since 2016 | Total Incentive Value Since 2016 | Tax Assessment Increase Since 2016 | ROI |
|------------------|--------------------------------|----------------------------------|------------------------------------|---------------|
| Project Specific | \$114,455,000 | \$3,950,000 | \$31,215,874 | \$7.90 |
| Chaparral Street | \$1,195,928 | \$219,354 | \$479,338 | \$1.57 |
| DLI | \$2,900,000 | \$185,000 | \$788,010 | \$4.26 |
| New Tenant | \$1,213,590 | \$98,718 | \$1,331,019 | \$13.83 |
| TOTAL | \$119,764,518 | \$4,456,072 | \$33,814,241 | \$7.47 |

For the period beginning in 2016, every \$1 invested through our Downtown Incentive Programs has resulted in a \$7.47 increase in assessed value.

New Commercial Tenant Finish-Out

| PROGRAM | POSSIBLE INCENTIVE | QUALIFYING CATEGORIES | AVAILABILITY |
|--|--------------------------------------|--|---------------------|
| New Commercial Tenant Finish-Out Grant Program | Up to \$10 per sq./ft. Reimbursement | <ul style="list-style-type: none"> • Dining, Entertainment, or Mixed Use Development • 1st Floor, Active Street Location • Wall, Floor & Permanent Fixtures • Currently Vacant | \$100,000, Annually |

ROI: \$13.83

- **Budgeted:** FY 16, 17, 18, 19, & 20
- **Total Projects Since 2016:** 4
- **Target:** New Small Businesses – Leasing Space
- **Logic:** Ease Burden of Start-Up Costs
- **Issue:** No Tenant Ready Spaces

Recommendations:

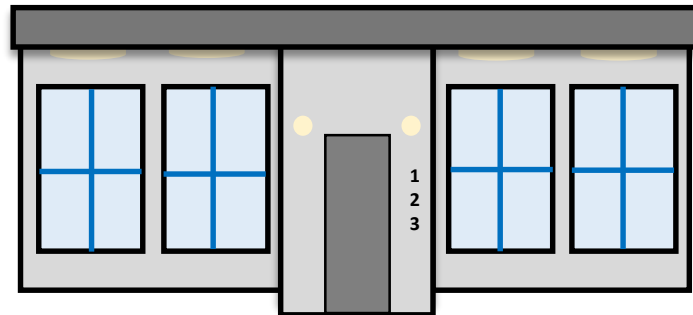
- Keep Program
- Increase incentive cap from 20% to 30% of project cost
- Add 50% reimbursement for MEP, Environmental Remediation, or Structural to Tenant or Landlord (Up to \$20,000 – not counted towards incentive cap)

Steps to New Tenant

1 Costs: Pay Taxes \$



2 Costs: Moderate Improvements to Exterior \$\$



3 Costs:

- Mechanical, Electrical, Plumbing, Environmental Remediation, Structural

\$\$\$\$



4 Costs:

- Finish Out & Start Up

\$ - \$\$\$\$\$



Chaparral Street Property Improvement

| PROGRAM | POSSIBLE INCENTIVE | QUALIFYING CATEGORIES | AVAILABILITY |
|---|---------------------------------|--|---------------------|
| Chaparral Street Property Improvement Grant Program | Up to 50/50 Reimbursement Grant | <ul style="list-style-type: none">Building Improvement Costs Related to Occupying a Vacant Structure | \$200,000, Annually |

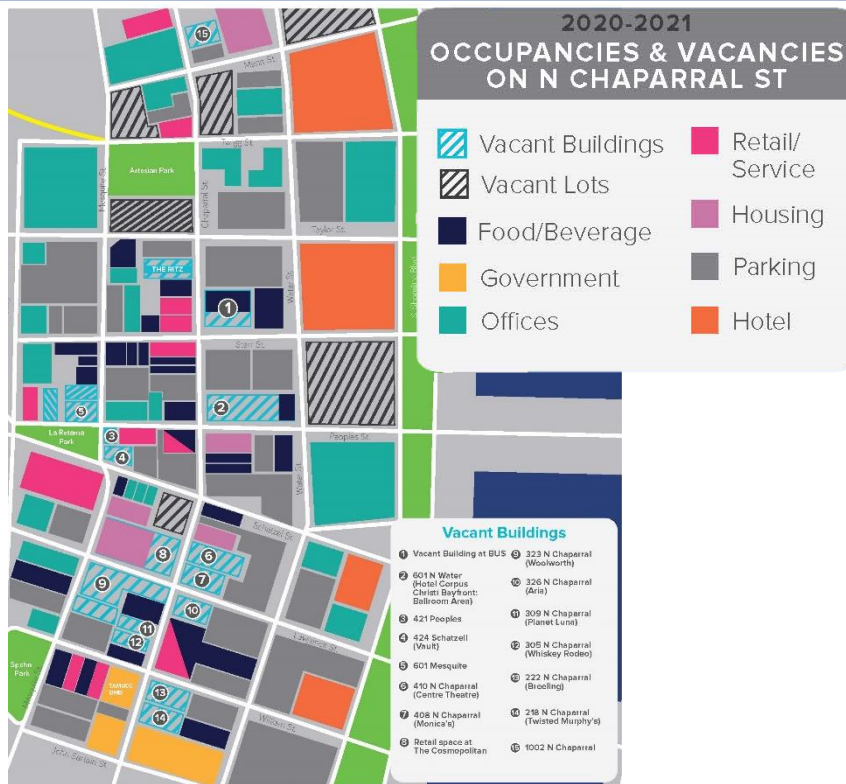
ROI: \$1.57

- **Budgeted:** FY 16, 17, 18, 19, & 20
- **Total Projects Since 2016:** 5
- **Target:** Vacant Building Owner
- **Logic:** Assist with MEP, environmental remediation, structural, or other large scaled deferred maintenance repairs necessary to get building occupied.
- **Issue:** Numerous vacant buildings, costly deferred maintenance

Recommendations:

- Keep Program
- Eliminate incentive cap of 20% of project cost making this a truly 50/50 program
- Up to \$100,000 per project

Chaparral Street Vacancy





Downtown Living Initiative

| PROGRAM | POSSIBLE INCENTIVE | QUALIFYING CATEGORIES | AVAILABILITY |
|----------------------------|---|--------------------------------|---------------------|
| Downtown Living Initiative | Up to \$10,000 Rebate per Multi-family Unit | • At Least 10 Unit Development | 100 Units, Annually |

ROI: \$4.26

- **Budgeted:** FY 16, 17, 18, 19, & 20
- **Total Projects Since 2016:** 3
- **Target:** Residential Apartment Developer
- **Logic:** Residential is Key, Best Practice, at \$100,000 Unit Cost, this incentive helps with equity and financing
- **Issue:** Has not produced as anticipated due to cost increases

Recommendations:

- Keep Program
- Lower qualifying unit threshold from 10 units to 3 units. (Will encourage incremental development)
- TIRZ #3 will reserve right to pay out over multiple years



Development Agreement

| PROGRAM | POSSIBLE INCENTIVE | QUALIFYING CATEGORIES | AVAILABILITY |
|--|--|---|-----------------------|
| Project Specific Development Agreement | Up to 75% of 10 Year Tax Reimbursement Grant | <ul style="list-style-type: none">• Environmental Remediation• Code Compliance• Historic Preservation• Structured Parking• Urban Design/Landscaping• Public Improvements/Utilities• Residential Developments over 100 Units (\$10,000 per Unit) | Based on Project Cost |

ROI: \$7.90

- **Rebate of Private Taxes Paid, Flexible**
- **Total Projects Since 2016: 7**
- **Target:** Large Scale Projects (New Construction or Renovation)
- **Logic:** Building in Downtown can be more expensive and challenging
- **Issue:** None

Recommendations:

- Keep Program
- Lower qualifying unit threshold for Residential Development from 100 units to 10 units
- Increase eligible reimbursement amount from \$10,000 to \$20,000 per apartment unit



Project Specific Development Agreement Calculations

Based upon recent precedent, a \$20,000,000 construction cost project will likely stabilize in year 4 after completion at 75% of cost.

| Improvement Value | | \$10,000,000 | \$15,000,000 | \$20,000,000 |
|----------------------------|-------------------|------------------|------------------|------------------|
| Tax Increment | City | 60,626 | 90,940 | 121,253 |
| | County | 31,293 | 46,939 | 62,586 |
| | Fm to Mkt | 397 | 595 | 793 |
| | Del Mar | 24,807 | 37,211 | 49,615 |
| | TOTAL TIRZ | 117,123 | 175,685 | 234,246 |
| | 75% | 87,842 | 131,764 | 175,685 |
| | Hospital | 12,975 | 19,462 | 25,949 |
| | CCISD | 123,735 | 185,603 | 247,470 |
| | NOT TIRZ | 136,710 | 205,659 | 273,419 |
| | | | | |
| Combined Tax Burden | | \$253,833 | \$380,749 | \$507,666 |

Nueces County Appraisal District determines value.

75% Payout will always be lower than what is paid in.

*Chart intended to show relationship between value and tax rate, not change over time.

Catalytic Projects

CATALYTIC TIRZ #3 PROJECTS UNDER DEVELOPMENT

1 HILTON GARDEN INN
701 E PORT AVE.



2 HISTORIC NUECES
COUNTY COURTHOUSE
1100 N MESQUITE



3 FRAZIER CO. HEADQUARTERS
807 N UPPER BROADWAY



4 THE RITZ THEATRE
715 N CHAPARRAL



5 WARD BUILDING
541 N CHAPARRAL



6 600 BUILDING
600 LEOPARD



7 TAMU-CC
223 N CHAPARRAL



8 LIMERICK APARTMENTS
201 S CHAPARRAL



CATALYTIC TIRZ #3 PROJECTS COMPLETED

9 BUS | 702 N CHAPARRAL



10 STUDIO 44 APARTMENTS
817 N CARANCAHUA



11 MARRIOTT RESIDENCE INN
309 S SHORELINE



12 FROST BANK BUILDING
501 S SHORELINE



Recommendation/ Next Steps

| Program | Recommendations |
|---------------------------------------|---|
| New Commercial Tenant Finish-Out | <ul style="list-style-type: none"> •Keep Program •Increase incentive cap from 20% to 30% of project cost •Add 50% reimbursement for MEP, Environmental Remediation, or Structural to Tenant or Landlord (Up to \$20,000 – not counted towards incentive cap) |
| Chaparral Street Property Improvement | <ul style="list-style-type: none"> •Keep Program •Eliminate incentive cap of 20% of project cost making this a truly 50/50 program •Up to \$100,000 per project |
| Downtown Living Initiative | <ul style="list-style-type: none"> •Keep Program •Lower qualifying unit threshold from 10 units to 3 units. (Will encourage incremental development) •TIRZ #3 will reserve right to pay out over multiple years. |
| Project Specific | <ul style="list-style-type: none"> •Keep Program •Lower qualifying unit threshold for Residential Development from 100 units to 10 units •Increase eligible reimbursement amount from \$10,000 to \$20,000 per apartment unit |

Discussion