

Packery Channel/TIF Information Sheet

What is a Reinvestment Zone?

An area designated by a city within which certain public improvements are paid for by “**tax increment financing**,” a method by which money to pay for the public improvements comes from growth (the “**increment**”) of property values in the zone. This method is provided by the law of Texas and many other states. The theory is: construction of the public improvements will generate higher tax revenues due to additional private development; without the public improvements the increased tax revenues would not occur.

The Packery Reinvestment Zone is about 1,930 acres, located behind the Padre Island Seawall.

PROJECT SCOPE—PRIMARY ELEMENTS

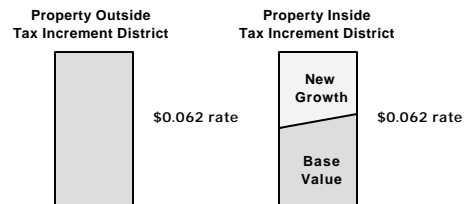
1. Permanently opening Packery Channel by dredging and constructing jetties, with the following preliminary dimensions:
 - 11 feet deep (7 feet deep west of Hwy 361 bridge)
 - Jetties 1,400 feet in length from the Gulf shore
2. Regular dredging to maintain the channel, with the dredged sand being deposited in front of the Padre Island Seawall to restore and maintain the presently eroding beach.
3. Park complex
 - North side channel park complex
 - parking for 200 cars
 - volleyball courts
 - protected kids play area and beach pavilion, with restrooms, showers, and concessions
 - South side beach park between south jetty and end of Padre Island Seawall
 - improved parking lot
 - pedestrian beach area
 - boardwalks providing access for wheelchairs and child strollers
 - elevated bathhouse and restrooms
 - shade pavilions for picnicking
4. 8-12 foot wide walkway atop jetties from the vicinity of the Highway 361 bridge to the end of the jetties, providing easy access to water, including for those with limited mobility, and providing public access for fishing and sightseeing.
5. The channel will provide more than 7,200 linear feet of fishing access without charge.
6. Beach access parking lot on top of seawall (local project)
7. Overall greater beach access

The **final** project scope will be determined by the United States Army Corps of Engineers.

Who will design and build the project? The U.S. Army Corps of Engineers. (Depending on the final Corps decision, some of the recreational features may be constructed by the City from the Tax Increment.)

What is the cost of the planned improvements? The preliminary estimated cost of the federal improvements is approximately \$30,000,000. The beach access parking lot on top of the seawall, a purely local project, would cost another \$750,000.

Tax Increment Financing Concept



- Tax rate is the same within Tax Increment District as outside District
- New growth values go into Tax Increment Fund
- Tax Increment Funds from new growth pay bonds for public improvements
- Base value is revenue City/County received prior to creation of Tax Increment District



Both Base Value and New Development Growth are taxed at the regular tax rate

Who will pay for the improvements? A \$19.5 million share is to be paid by the Federal Government. A \$10.5 million share is to be paid locally, through tax increment financing. The \$750,000 for the parking lot on the seawall will also be paid locally by tax increment financing.

Will bonds be sold to pay the estimated local share? Yes. **What will be the period of time for paying the bonds?** Twenty years or less.

Are revenues from the tax increment estimated to be sufficient to pay the bonds? Yes. Based on a report by Economics Research Associates, a national consulting firm specializing in recreational development forecasting, the tax increment generated will far exceed the amount needed to pay the bonds.

Who will buy the bonds? The developers of private lands adjacent to the Packery project. Thus, the developer takes any risk on the bonds. Because the developer will only be paid if private development increases taxes sufficiently to pay off the bonds, the private developer determines at the time it invests in the bonds that its project is economically viable.

What if the tax increment is insufficient to pay off the bonds, can the City (and taxpayers) be liable? No. State law provides: "Tax increment bonds and notes are payable, as to both principal and interest, solely from the tax increment fund established for the reinvestment zone." "A tax increment bond or note is not a general obligation of the municipality issuing the bond or note. A tax increment bond or note does not give rise to a charge against the general credit or taxing powers of the municipality and is not payable except as provided by this chapter. A tax increment bond or note issued under this chapter must state the restrictions of this subsection on its face." "A tax increment bond or note may not be included in any computation of the debt of the issuing municipality." In addition, the bond covenants will explicitly emphasize that bondholders have no recourse other than the tax increment.

If the bonds were not paid, would it hurt the City's credit rating? No. The City's financial advisors have advised the City that, because the bonds are expressly payable only from the tax increment, insufficiency of the tax increment would have no effect on other City obligations.

What is the Federal Government's role? The project was included in Section 556 of the Water Resources Development Act of 1999, passed by Congress. It requires the U.S. Army Corps of Engineers to determine if: (1) the project is environmentally acceptable, and (2) the project is technically sound, and provided preliminary reconnaissance funding of several hundred thousand dollars. For FY 2001, Congress appropriated \$1 million for review and design, which is being done now by the Corps.

Are the estimated costs final? No. Final costs will be determined by the Corps of Engineers study.

Who will determine if the project is technically sound? The U.S. Army Corps of Engineers. A 1999 study by Naismith Engineering for Nueces County concluded that the project was technically sound, as did a peer review of study commissioned by the Texas General Land Office. The Corps has concluded the project is technically sound. However, the project will also have to meet more stringent Corps standards and will only proceed after being found to meet these Corps standards.

Who will determine if the project is environmentally acceptable? The U.S. Army Corps of Engineers. The Naismith study concluded that the project is environmentally acceptable. Federal legislation requires the Corps of Engineers to determine if the project is environmentally acceptable. The Corps has determined that an Environmental Impact Statement is required. The project will only proceed if the Corps determines it to be environmentally acceptable, after conclusion of environmental studies.

Will the channel require continual maintenance? Yes. The General Land Office Peer Review noted that the project requires a commitment "to a comprehensive, flexible program of sand bypassing and maintenance dredging (i.e., sand management) and creating the appropriate financial mechanisms to fund it."

What will it cost to maintain the channel? The Naismith study estimated \$400,000 for annual dredging and other costs associated with the channel. The \$10.5 million estimated local share includes a \$4 million reserve fund. Long-term maintenance will be paid from earnings of the reserve fund. The Corps of Engineers study will determine if this amount is sufficient. The final project cost will include the amount concluded by the Corps of Engineers.

What entities are participating in the tax increment zone? The City of Corpus Christi, Nueces County, and the Nueces County Hospital District have agreed to contribute 100% of their tax increment in the zone. Del Mar College has agreed to contribute part of its tax increment. The Flour Bluff Independent School District and the Flour Bluff Fire District are not participating. Consequently, they will receive their full share of any increased tax revenues from new development.

What if tax increment revenues are more than needed to pay the bonds? Under State law, the zone terminates when the project costs and bonds have been paid. The bonds will contain provisions permitting early payment. Upon early payment, the zone can be terminated. After project costs and bonds have been paid, any money remaining in the tax increment fund is paid to the participating entities in proportion to their contribution.

Does the developer have to pay taxes on property he owns in the zone? Yes. The developer pays taxes like all other taxpayers, both inside and outside the zone. Like other zone taxpayers, the developer's taxes on increased valuations go into the tax increment fund.

Will the tax rate be higher for property in the zone that elsewhere in the City? No. The tax rate will be the same in the zone as in other areas of the City.

Will other taxpayers have to bear the burden of increased services in the zone? Developers must pay costs of constructing water and sewer lines, streets, and other infrastructure. Fire and police services, and maintenance and operation of streets, utilities, parks, code enforcement, and other routine city services will be provided in the zone as in other areas of the City. However, extra costs for these are anticipated to be exceeded by extra revenues generated within the zone, such as sales taxes, and extra revenues generated outside the zone due to development within the zone.