

**Preliminary Conceptual Design and Financial Feasibility Study for
Redevelopment of the Nueces County Courthouse**



Prepared for:

Senator Juan Hinojosa, District 20, and Nueces County

Prepared by:

The Texas Historical Commission's Town Square Initiative

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**Preliminary Conceptual Design and Financial Feasibility Study for
Redevelopment of the Nueces County Courthouse**

The report is intended for:

Judge Loyd Neal, Nueces County Judge

Commissioner Mike Pusley

Commissioner Joe A. Gonzalez

Commissioner Oscar Ortiz

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Executive Summary

Abandoned since 1977 when the county relocated for newer and larger facilities, the 1914 Nueces County Courthouse has endured decades of neglect at the hands of both public and private owners. Throughout its history, it has survived multiple hurricanes, acts of vandalism, and years of vacancy. The community and stewards of the former courthouse have been determined at differing times to both save and to demolish the historic landmark. More than \$2 million in state funds, \$100,000 in federal funds and a significant amount of private donations have been invested in the building since 1977.

Today, the courthouse sits at a unique crossroads both literally and figuratively. Three major initiatives are now converging that create the opportunity for rehabilitating the building in a manner that has previously not been possible. These initiatives include:

- new public policy supporting downtown revitalization;
- the Harbor Bridge removal and relocation; and,
- the new state tax incentives for historic rehabilitation.

This report demonstrates an initial path towards a financially viable solution that capitalizes on the historic landmark as an asset rather than a liability.

The public sector, primarily through the planning efforts of the city, is placing **significant emphasis on the revitalization of downtown Corpus Christi**. The *Downtown Area Development Plan* is part of the emerging comprehensive planning effort of the city with renewed focus on the urban core, including the neighborhood of the historic courthouse. In conjunction with the planning efforts, the city has established lucrative and vital incentive programs utilizing the Tax Increment Reinvestment Zone #3 (TIRZ#3) to jump start the housing market in downtown. The City of Corpus Christi hopes to capitalize on the generational lifestyle shift of a population that views urban neighborhoods and communities as an asset rather than a liability. Downtown districts of all sizes are seeing an influx of new investment, although the shift is most evident in major metropolitan areas of Texas where the downtown living of Houston, Dallas, or Austin is setting records and paying dividends. Rehabilitation and redevelopment of the former Nueces County Courthouse would be eligible for these substantial incentives.

Through the Corpus Christi Downtown Management District and with the support of the City Council as well as local property and business owners, downtown has applied for and been **accepted as a 2016 Texas Main Street City**. Beginning in January, the district will embark on an initial five-year commitment to implement the national Main Street model with a 35-year track record in Texas. Participation in the program helps to provide the organizational structure and build preservation capacity for community and business leaders to revitalize the historic downtown core. The program matches local efforts, both volunteer and professional, with technical assistance from the Texas Historical Commission in the disciplines of preservation, design, community planning, promotions, and economic revitalization.

In a few years, the **Harbor Bridge and its associated access roadways will be removed** and relocated further to the west. This massive infrastructure project will dramatically change the urban characteristics of the neighborhood surrounding the former courthouse. The degree to which the existing bridge has damaged the urban fabric and the courthouse itself should not be underestimated. The good news is that city leadership and the community both recognize the unprecedented opportunity the bridge removal represents and have planned for transformative changes to the area that include public improvements to reintroduce the historic street grid, sidewalk, and trail connectivity between the

previously disconnected downtown districts, as well as development standards to ensure compatible new construction and a high quality public realm.

The Texas Historic Preservation Tax Incentive program was adopted by the 83rd Texas Legislature in 2013 and was implemented January 1, 2015. Philip J. F. Geheb, an Associate in the Real Estate section of the Dallas office of Munsch, Hardt, Kopf and Harr said at a recent national conference on tax credits, “You (investors) cannot beat Texas right now in terms of opportunities (for tax credit projects).” **The new state tax credit program is regarded as one of the best in the country** for its ease of credit transferability, the simple application process and the lack of project or program monetary caps. Recent legislation has enabled use of the credit by non-profit as well as for-profit entities. The state program may be combined with the existing federal credit of 20% allowing for a potential total credit of 45% for qualified historic rehabilitation projects. As expected, the program has been welcomed enthusiastically in Texas and the agency has seen a sudden increase in tax credit activity.

Given that all these factors are currently in play, Corpus Christi is a market that should be potentially very attractive to outside reinvestment in the historic downtown. It is within this context that the Town Square Initiative Team has developed a preliminary feasibility analysis for redevelopment of the historic Nueces County Courthouse. The Town Square Initiative was created to provide specialized technical assistance for vacant and underutilized historic properties in communities that have already demonstrated a substantial commitment to historic preservation. The team uses a market-based approach to develop a conceptual design plan for the building along with a financial feasibility analysis to assist property owners in determining the redevelopment potential.

The Concept - As a public asset, re-use of the building for county or city services, a visitor’s center or a science and technology facility would be the best outcome as it retains the building’s public presence in the heart of the city. Given the limitations of state funding and the local government’s lack of support for repurposing the building, the options pursued in this study are through the private sector only and focus on market-rate mixed use. This is not to say that legislative efforts to secure funding or the local government’s interest in direct participation in the building’s future will not change.

Therefore, the proposed conceptual plan for re-use of the Nueces County Courthouse is a 62-unit luxury for-lease residential development with approximately 15,000 square feet dedicated to commercial lease space, which is most likely suited to office.

A primarily residential project is, at this time, the most feasible re-use option. The City of Corpus Christi has recently completed an intensive market study of all segments as part of the comprehensive planning process, *Plan CC*. An analysis of residential market potential was completed by Zimmerman/Volk Associates, Inc. in May 2014 and W-ZHA, LLC completed an office, retail and hotel market assessment in September of the same year. Zimmerman/Volk’s study identified a significant demand for housing in downtown, stating a market potential for 1,850 market rate apartments and townhouse units over the next five to seven years. This is significant in Corpus Christi because growth in downtown housing is a key driver of revitalization efforts. The team explored the possibility of a mixed income residential project that would take advantage of the federal Low Income Housing Tax Credit program, but revenue was not sufficient to meet the debt load. A hotel option may be possible with a healthy hotel economy in Corpus, but the demand for new rooms is more modest with 300-500 rooms needed by 2023. A project that is entirely office presents little opportunity as the office market is currently weak with existing vacant space able to meet the future projected demand. One exception would be a single office tenant that desired a signature landmark property for community impact, prestige, and image that would justify deviation from current market trends.

Building Condition - This study asserts that an updated assessment of the property needs to be undertaken by a licensed structural engineer familiar with historic institutional structures in the Corpus Christi region. Due to our direct involvement, the THC has confidence in the prior engineering evaluations conducted by Sparks Engineering as part of the overall master planning, design and eventual rehabilitation of the south wing and detailed in the Preservation Master Plan by McGloin and Sween in 2000. Sparks Engineering specializes in the evaluation and design of historic buildings and structures. Our agency reviewed the analysis and the work was specifically conducted to produce a budget and scope for the entire building. The resulting budget was intended to result in a maximum grant award and to avoid unexpected costs so underemphasizing deterioration or costs would not have been in any party's best interest.

The most recent engineering study of the building was conducted by LNV Engineers, Architects and Contractors in 2010 for Nueces County. The Texas Historical Commission's Town Square Initiative staff is unclear as to how much deterioration has actually occurred between the timeframe spanning from the first comprehensive structural engineering study conducted by Sparks Engineering, the 2010 assessment by LNV, and now (December 2015).

Financial Feasibility - The Nueces County Courthouse proves a challenging property for a financial feasibility study in part because the current structural condition is not known and therefore it is difficult to estimate construction costs. This report utilizes the figures from the 2010 LNV study commissioned by Nueces County as a basis for estimating development costs. The 2010 renovation estimate provided by LNV of \$41,100,000 noted a possible margin of error of plus or minus 40% which places the range of probable construction costs between \$24 and \$58 million. The variation within this budget range is very significant. While it is common at the early stages of evaluation and design to include a notable contingency for unseen conditions, the range makes planning a challenge.

Using the Turner Building Cost Index, the starting construction estimate of \$41.1 million was adjusted to \$48.2 million. A conservative developer's fee of 11% was also added to more accurately capture the project's total anticipated cost. This raises the anticipated construction total to \$53.5 million or \$619 per square foot.

The financial analysis assumes use of federal and state historic tax credits, new market tax credits and an additional nearly \$3.77 million from the Texas Historic Courthouse Preservation grant program (THCPP). With approximately \$2.2 million previously invested from the program and a \$6 million program cap (recently increased from \$4 million), another \$3.77 million is potentially available with a recent appropriation in the 84th biennium by the Texas Legislature. See Table A below for the estimated project development costs and sources of funding.

Table A. Project Development Costs and Funding Sources			
Project Development Costs		Funding Sources	
Structural Repair Cost	\$27,427,829	Permanent Loan	\$7,375,523
Interior Finish-Out	\$7,599,342	State HTC Equity	\$12,175,577
Mechanical, Electrical, Plumbing	\$6,012,220	Federal HTC Equity	\$9,007,309
Asbestos/Lead Abatement	\$2,345,400	NMTC Equity	\$12,434,143
Architectural, Engineering Fees	\$4,635,469	Deferred Developer Fees	\$0
Inspections	\$293,191	Potential THCPP Grant	\$3,766,599
Materials Testing	\$175,916		
Developers Fee	\$5,012,633		
Total Development Costs	\$53,502,000	Total Funding Sources	\$44,759,151
		Financing Gap	\$8,742,849

The redevelopment of the Nueces County Courthouse is potentially feasible, but it will necessitate additional sources of financing to fill what is estimated to be an approximately \$8.7 million gap. The analysis demonstrates what many involved with this project over the years already know: the redevelopment of this historically significant structure cannot happen without contributions from both the public and private sector. However, this study demonstrates that in addition to public policy prioritizing downtown revitalization, there are now several key new sources of funds that have not been previously explored including the city's TIRZ #3 developer incentives, the state historic tax credit, and the increased THCPP funds. The analysis in Table A is merely a starting point. This study also conservatively incorporates some of the alternative funding sources now available to demonstrate that the gap can be narrowed fairly quickly. An additional \$4.24 million is potentially immediately available resulting in an estimated gap of about \$4.4 million.

Table B. Alternative Sources of Gap Financing

	Financing Gap	\$8,742,849
Nueces County - <i>County funds otherwise allocated for demolition and site clean-up</i>		\$2,500,000
Downtown Living Initiative - <i>\$10,000 per housing unit</i>		\$620,000
Deferred Developer Fees – <i>3.9% Interest for 10-year term</i>		\$1,126,000
Total Alternative Sources		\$4,246,000
Adjusted Financing Gap		\$4,496,849

If the redevelopment of the historic courthouse was lagging the market with other new construction in the immediate vicinity the potential might be viewed differently, but **currently, redevelopment of the courthouse is necessary to spur other private sector real estate investment rather than the reverse.** It is clear that the timing for a project of this magnitude could not be better in light of the historic preservation incentives available and Corpus Christi's priorities for downtown revitalization, but the financial feasibility estimates in this study are intended to be a starting point for discussion of the future possibilities for this building within this new policy framework. The following study should be shared freely with Nueces County officials, the City of Corpus Christi and other professional audiences with expertise in historic real estate development for feedback and continuing dialogue.

Building Context and History

Physical Context

The historic 1914 Nueces County Courthouse was constructed on the same location as two former courthouses of Nueces County, two blocks west of the shoreline of Corpus Christi Bay (then at Water Street). The site lies at the base of a bluff that follows the natural shoreline of both the Nueces Bay (to the north) and Corpus Christi Bay (to the east). Historically the courthouse site was surrounded by homes, businesses and churches and was an integral part of the fabric of the growing city.

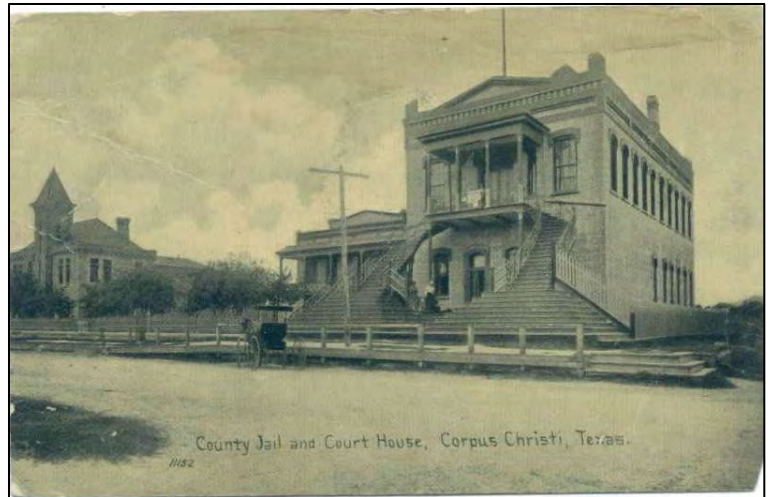


Figure 1. The 1878 courthouse (right). THC Image Archive.

The physical context of the courthouse, as expected, has changed significantly over time. Since the creation of the Nueces County Navigation District and the dredging of a deep water channel in 1926, the Port of Corpus Christi has grown into one of the largest in the country. Historically residential neighborhoods north of the courthouse transitioned to industrial uses to support the port. Now the north end of this area has become known as the SEA district (Sports, Entertainment and Art), a mixed-use, waterfront entertainment district with live music, a water park, professional sports, and museums. It features 13 venues including the renowned Texas State Aquarium, Corpus Christi Museum of Science and History, Art Museum of South Texas, Whataburger Field, American Bank Convention Center and Arena and Heritage Park. The amenities of the SEA District and the Bayfront are critical to the tourism economy, which is healthy and robust in Corpus Christi. The city attracted more than 8.6 million visitors with a total visitor spending of \$1.3 billion in 2014, an increase of 8% over 2013.¹



Figure 2. Construction of the Harbor Bridge, 1959. THC Image Archive.

The area to the east saw its first major changes with construction of the seawall in 1939-1941. The seawall was a public improvement project designed to mitigate the impacts of future storms and was initiated by the city after the devastating 1919 hurricane. It extended the city two blocks into the bay and elevated the bay front itself to 14 feet above sea level - 3.7 feet above the high-water mark of the 1919 storm. Because of the height of the seawall, the uninterrupted slope from the courthouse steps down to the water's edge was altered. The new federal courthouse was constructed in 2000 on axis with the historic one, but faces Shoreline Avenue missing the opportunity to create a connected urban space in between.

The seawall project also included construction of the city's municipal marina. This area is now known as the Marina Arts District and features a walkable pedestrian grid with a mix of land uses, including hotels, office, residential and retail. This area is the historic center of Corpus Christi and

¹ Office of the Governor, Texas Economic Development & Tourism . *The Economic Impact of Travel on Texas: 2014*. Accessed via the Corpus Christi Convention and Visitor's Bureau, <http://www.visitcorpuschristitx.org/about/>.

is professionally managed by the Corpus Christi Downtown Management District (DMD).

Probably the most drastic change to the courthouse context came with the construction of the Harbor Bridge and the extension of Interstate Highway 37 (IH-37) in 1957-59. The Harbor Bridge placed an elevated access road literally next to the building's second floor on the west façade while the termination of IH-37 – a four-lane divided highway – lined the south boundary. These major transportation projects disrupted the historic street grid, making the courthouse largely inaccessible and severing the important public facility from the business and civic community.

However, in the next few years the context for this building will change dramatically once again, and for the better. TXDOT plans are now underway to remove the Harbor Bridge and re-align the highway. Removal of the bridge was anticipated to begin in 2015, but potential litigation has postponed the start date. An American Institute of Architects R/DAT project (Regional and Urban Design Assistance) was completed in August 2014 to help create a vision and re-imagine the new potential for the urban core with removal of the Harbor Bridge. A broad-based local steering committee submitted the application stating that "Corpus Christi and the surrounding bay area communities are poised for a bright future. Removal of the existing bridge will provide an unprecedented opportunity to connect our city's urban core of entertainment, sports, history and culture."² The Nueces County Courthouse is at the very center of this vision and these new plans. While the debate has waged for years about the future of the building, the R/DAT application is correct in stating this is an unprecedented opportunity. This report is intended to highlight the building's potential for redevelopment within the context of the bridge removal and the community's vision for the area that provides a critical connection to the urban core.

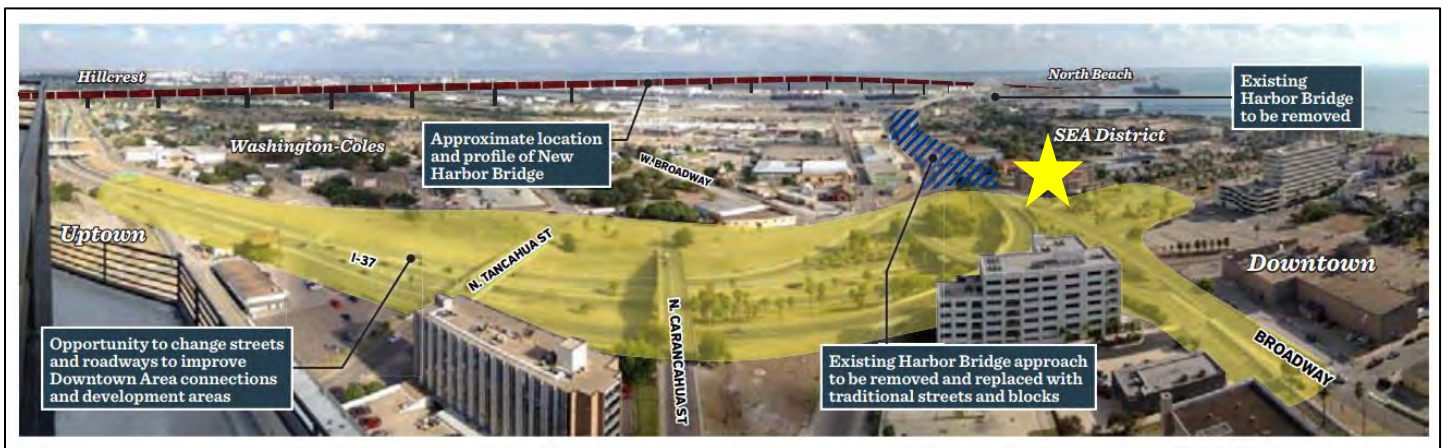


Figure 3. The relocation of the Harbor Bridge will significantly change the physical context in the downtown core, providing unprecedented opportunities for redevelopment and new connections as shown in this panorama from the Downtown Area Development Plan, 2015.

² *Corpus Christi, TX R/UDAT Report*, AIA Communities by Design. Sponsored by the Corpus Christi Metropolitan Planning Organization, 2014. Accessed <http://www.aia.org/aiaucmp/groups/aia/documents/document/aiab104452.pdf>.



Figure 4. Map of Corpus Christi's downtown core. The historic courthouse is marked with the star.

Building History

The historic Nueces County Courthouse, constructed in 1914, is the third building to serve as the county's center of government. Nueces County was established in 1843 and construction of the first county courthouse was completed in 1857. A second courthouse was built in 1878 beside the first. Under the administration of county Judge Walter F. Timon, the neo-classical structure was completed in 1914 at a cost of \$250,000. The architect, Harvey L. Page of Washington, D.C., also designed the International and Great Northern Railroad station in San Antonio and Laguna Gloria in Austin. The building is a six-story structure, which includes a ground floor level that is at finished grade elevation. Courtrooms and offices were on the first four floors while the top two floors, separated from the rest of the building by an air space to eliminate noise, served as the jail. In addition to government offices, apartments were provided until the 1950s for the jailer and other county officials. A major addition was added 1930-31 to the west wing. The 1914 courthouse gross square footage is approximately 68,400 and the 1930 addition is approximately 18,000.



Figure 5. The 1914 Nueces County Courthouse circa 1915-1920. THC Image Archive.

The historic courthouse served the county well for over 60 years however in 1970 another hurricane struck Corpus Christi, and damage to the building was never repaired properly. Plans were made for a new facility further from the bay, and in 1977, county offices moved to the new courthouse facility at 901 Leopold Street. At that time, the historic courthouse was sold to a private entity, The Friends of the Courthouse for \$200,000. Importantly, in 1976 this advocacy group nominated and listed the building on the National Register of Historic Places and obtained the property from the county through a \$100,000 federal acquisition grant. The federal funding required a deed covenant and in 1978 LexLand, Ltd, Alan Doty, Partner, and its successors granted a 40-year deed covenant, which went to the THC, that expires May 31, 2018. Also in 1976, a study by Associated Planning of Chicago, IL and Eugene Wukasch of Austin, TX was commissioned to identify adaptive uses for the building.



Figure 6. After the 1919 Hurricane. THC Image Archive.

Little preservation activity took place in the following two decades. In 1995 the courthouse was listed on Texas' Most Endangered Historic Properties list at the urging of local citizen Margaret Rammage. In 1998, a forensic study was undertaken by Killis Almond which demonstrated the building could be technically and physically restored. In 1998, the Nueces County Courthouse along with the entire collection of historic Texas courthouses was included on The National Trust for Historic Preservations' list of the Nation's 11 Most Endangered Places.

Upon establishment of the Texas Historic Courthouse Preservation Program in 1999 and its first \$50 million grant cycle, the Nueces County Courthouse began to be considered by the community as an opportunity worth pursuing. A Nueces County Courthouse Preservation Master Plan written by McGloin and Sween Architects outlining the work required to preserve the building was submitted to THC and approved in 2000. The cost of that master plan was reported to be \$120,000. In that second grant round in 2001, the project competed with 74 other counties and was selected to receive a \$333,401 planning grant award to develop the construction documents for the first phase of work. Under the program's then-statute, grants could be awarded only to counties so the County agreed to take the deed ownership back and to grant a new 25-year preservation easement to the THC in exchange for the project's funding. The easement expires on September 1, 2027.

Following months of preparation, the architectural plans for an initial phase of the building's restoration were approved by THC in 2003. In 2004, Nueces County again applied for a second grant of \$3.8 million to carry out the

Phase 1 plan for stabilization and protection activities. Due to the endangerment of the building, the project was given special consideration and selected to receive an emergency grant of over \$1.9 million in state funds with a minimum \$883,000 local match, a 2:1 match requirement for emergency grants. Margaret Walberg, president of the Friends of the Courthouse raised donations and obtained pledges for the local match. Judge Borchard submitted a request for an \$11 million grant from the Texas Department of Transportation using the THC's funding as a match, but the TxDOT grant was not forthcoming.

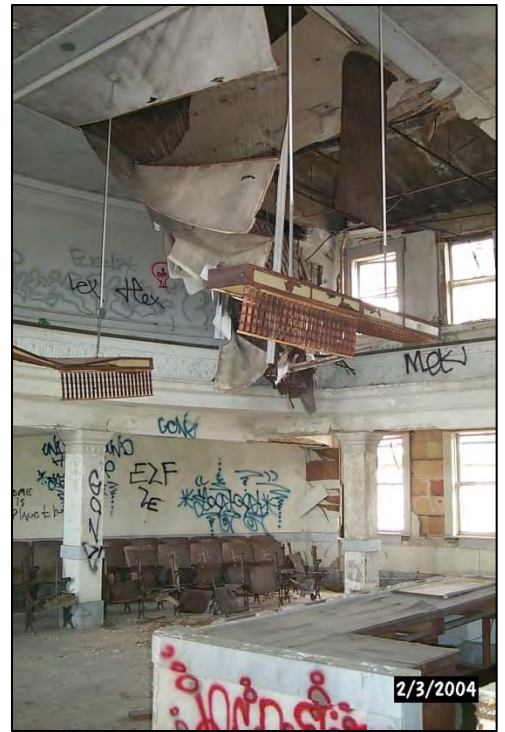


Figure 7. Interior condition, 2004. THC Image Archive.



The Phase 1 project was conceived as a "demonstration project" to begin the process of restoration, learn if any efficiencies could be gained in the construction methodology, and show the public that restoration was technically feasible. The South Wing restoration, undertaken in 2004-2006, included complete exterior restoration of that portion of the building: removal and reinstallation of the brick and terra cotta masonry, new windows, a temporary roof, interior hazardous materials abatement and a security system. The entire project came in under the projected budget. Nueces County contributed an in-kind match to reduce its cash match below the \$883K required. The completion of Phase 1 was celebrated on November 27, 2006.



Concurrent with the restoration activities, the vision was developed for the creation of a science and technology museum, similar to the Exploratorium in San Francisco. Various partnerships with educational institutions such as Texas A&M University Corpus Christi, Texas A&M University Kingsville and Del Mar College were initiated. A project plan for the "South Texas

Figures 8 and 9. Exterior condition prior to beginning Phase I rehabilitation in 2000. THC Image Archive.

Exploratorium” as a hands-on, interactive, “edu-tainment” facility, housing a visitor’s center and other higher education and county use was proposed with a Memorial Day 2008 opening date. Schematic plans and cost estimates were developed for the project. The proposal assumed Nueces County would retain ownership and lease to a for-profit entity. The funding plan included \$13 million in equity from New Market Tax credits and the federal historic tax credit program; approximately \$4 million in additional THCPP grant funding, a \$9.5 million capital campaign and other gifts and grants. The project assumed a \$29 million construction cost and an additional \$5.8 million development fee. Escalation of these figures, originally estimated for 2006-07 construction, via the Turner Building Cost Index results in only a 10% increase or \$31.7 million plus developer fees.

Building on the momentum gained in the recent years, in October 2004 the THC offered a second major construction grant of \$1,766,599 out of cycle as a “supplemental award” for partial exterior restoration of the East Wing. However, the additional funds were rejected by Judge Shamsie in 2005 noting however, “We continue to be very committed to the building and will continue to search for funding options. We are only saying that we cannot provide \$1.76 million in county funds at this time.” The plans for the South Texas Exploratorium were dropped and the project never materialized.



Figure 10. Phase I Rehabilitation, 2004. THC Image Archive.

Despite subsequent and previous ideas for re-use as the federal courthouse, a Tejano Music Hall of Fame, a law school or elderly housing community, proposals have not been formally solicited by the county for a private/public partnership or for sale of the building. The County does not wish to use the building for its county offices. The preservation easement granted by Nueces County commits the county to holding adequate insurance against the property’s value and requires that the condition of the building be maintained since completion of the Phase 1 project. The condition of the restored south wing is stable; however, the county has permitted the remainder of the historic building to deteriorate in conflict with the agreement.



The Nueces County Courthouse was listed on the National Register of Historic Places June 24, 1976. It is a Recorded Texas Historical Landmark (RTHL) and a State Antiquities Landmark (SAL). It is not designated historic at the local level. Texas Government Code Chapter 442 Section 442.008 has provided basic protection for current and former county courthouses

Figure 11. Completion of Phase I Rehabilitation, 2006. The rehabilitated south wing is juxtaposed against the remainder of the historic building awaiting attention. The pre-restoration condition of the south wing was similar to the conditions found on the overall building. THC Image Archive.

since 1974. It is significant that the only historic-age courthouses lost in Texas since the establishment of this section were the Bowie County Courthouse in 1989 and the Midland County Courthouse in 2015. Since the abandonment of the old Nueces County Courthouse, the historic Hill County and Newton County courthouses both burned to the perimeter walls yet those communities and counties rallied and decided to rebuild their damaged courthouses with state help.

Timeline

1857: Construction of first Nueces County Courthouse.

1878: Construction of second Nueces County Courthouse.

1914: Construction of third (subject property) Nueces County Courthouse.

1919: 1919 Hurricane.

1931: Completion of the addition to the west wing.

1957: Construction of the Harbor Bridge and extension of IH 37.

1957: Engineering report completed by W. A. Ratz of Corpus Christi.

1970: Hurricane Cecilia.

1976: Listed on the National Register of Historic Places, building study by Associated Planning of Chicago, IL and Eugene Wukasch of Austin, TX.

1977: Nueces County moves to new, larger facility at 901 Leopold.

1978: Historic courthouse purchased by Friends of the Courthouse/Lex Land at auction. \$100,000 purchase grant provided by the National Park Service (NPS) & Texas Historical Commission (THC). Preservation deed covenant established expiring May 31, 2018.

1978: *Study of the Alternative Uses for the Old Nueces County Courthouse* by Associated Planners, Chicago, Illinois, and Wukasch & Associates, Austin, TX.

1979: Purchased by Charles Bennett & Associates.

1979: *Reuse Study for the Old Nueces County Courthouse* by Anderson Notter Finegold, Inc. Boston, MA. Proposal included office and restaurant use.

1983: Designated a State Antiquities Landmark (SAL).

1991: Purchased by Courthouse Solutions, Inc.

1992: Deed transferred to Justice Building Inc.

1993: Creation of the Corpus Christi Downtown Management District.

1995: Study for the *Adaptive Reuse of the Old Nueces County Courthouse* by the General Services Administration.

1998: Needs assessment and restoration study completed by Killis Almond & Associates, San Antonio, TX.

1999: Texas Historic Courthouse Preservation (THCPP) grant program established by the Texas Legislature, first appropriation of \$50 million.

2000: Completion of Preservation Master Plan by McGloin and Sween for Nueces County. Included report on preliminary structural assessment by Pat Sparks.

2001: Nueces County awarded a THCPP planning grant for \$333,401 for construction documents.

2002: Nueces County awarded THCPP \$1.9 million for Phase I Rehabilitation by the THC. (THCPP Grant #20020043 - A local cash share of \$950,000 and \$331,000 in additional in-kind labor was provided by Nueces County). Ownership transferred back to Nueces County.

2002: 25 year preservation easement granted by Nueces County to the THC, expires Sept 1, 2027.

2005: Additional THCPP funding of \$1.7 million rejected by county.

2007: Phase I Rehabilitation completion and celebration.

2010: LNV hired by Nueces County to conduct an engineering study.

2011: Corpus Christi City Council and Nueces County Commissioners pass resolutions supporting demolition after reviewing LNV study.

2014: The City of Corpus Christi initiates a 20-year policy and strategic framework, Plan CC, to be adopted in 2016. The Downtown Area Development Plan is drafted as part of this process and is pending adoption as of December 2015.

2015: Marina Arts District accepted into the Texas Main Street Program.

Planning and Policy Framework

Planning Framework

As noted in previous sections, there have been multiple attempts over the years to find a suitable new use for the 1914 Nueces County Courthouse; however, none have been realized for a variety of reasons.³ While the debate about the courthouse has been ongoing for decades and the building's condition proves more challenging now than ever, there is some good news. The economic climate and planning framework in the City of Corpus Christi is more favorable now than it has ever been for facilitating a large-scale historic redevelopment on this site. Combined with the newly established Texas Historic Preservation Tax Credit Program worth 25 percent of the eligible rehabilitation costs and other available local, state and federal incentives, there is potential from a policy perspective to accomplish a project of this magnitude.

For decades, efforts have been made to improve and revitalize downtown Corpus Christi with various levels of success. More recent efforts have included:

2004 – Bayfront Master Plan

2006 – Downtown Redevelopment Report

2013 – Central Business Development Plan

2014 – AIA's RUDAT Project (American Institute of Architect's Regional Planning and Urban Design Assistance Team)

At this time, there is an ambitious city-wide comprehensive planning process underway that features a downtown planning component and there are indications that there is already momentum for downtown revitalization. For example, the City of Corpus Christi has over \$29 million in public improvement projects currently funded in some stage of planning or construction in the downtown area including the Shoreline Re-Alignment, Sea District improvements, Chaparral Street Phase II, Water Street improvements and a wayfinding program. Most of these are funded through bond packages and the city is expected to continue to use bond packages as a major source of public improvement funding in the future.⁴

Comprehensive Plan (Plan CC) - Corpus Christi is in the process of creating a 20-year policy and strategic framework for the entire city. The second draft of Plan CC was released for comment in July 2015. A large inter-disciplinary team of consultants lead by Goody Clancy from Boston, Massachusetts, is guiding plan development. The team includes specialists in economic development, commercial-market analysis, public-private partnerships, cost-of-services analysts and housing market analysts. When completed, Plan CC will provide:

- A plan for future physical development.
- Strategies for enhancing livability, sustainability, opportunity, and prosperity.
- Strategies that equip Corpus Christi to seek positive change and deflect negative change, rather than simply reacting to change after it occurs.
- Predictability for residents, businesses, and developers.

³ Studies documented in the 2000 Preservation Master Plan by McGloin and Sween include *Study of Alternative Uses for the Old Nueces County Courthouse* by Associated Planners, 1978; *Study for the Adaptive Reuse of the Old Nueces County Courthouse* by the General Services Administration, 1995; and the *Re-Use Study for the Old Nueces County Courthouse* by Anderson Notter and Finegold, 1979. The South Texas Exploratorium concept was developed concurrently with the Phase I rehabilitation by the county between 2002 and 2007.

⁴ Tax Increment Reinvestment Zone #3 Amended Project & Financing Plan. Accessed on the City Manager's Office website: <http://www.cctexas.com/government/city-manager/deputy-city-manager/business-liaison/index>

- Efficient use of taxpayer dollars thanks to plans for orderly investment in public facilities, services and infrastructure.
- An action plan to put the Plan CC recommendations to work.

Downtown Area Development Plan (DADP) - The Downtown Area Development Plan is part of the Plan CC comprehensive plan initiative. The DADP is an action-oriented, market-driven strategy to drive economic growth and community building in downtown. It is nearing adoption with the most recent draft released in May 2015. The plan's primary focus is setting the stage for private sector investment; as such, the recommendations are shaped significantly by the in-depth real estate market analyses for residential, office, hotel and retail completed as part of Plan CC. **The DADP emphasizes that new housing offers the strongest investment opportunity in downtown.**

There are five primary vision themes in the DADP. The themes include:

1. **Catalyze housing and other market-driven development with a more targeted and versatile incentive program.**
2. **Create more housing options for all households.**
3. **Complete a waterfront park and trail network that celebrates the bay and connects destinations.**
4. **Leverage the Harbor Bridge relocation and create an enhanced Gateway to the Bay through a transformed I-37 and "North Beach Gateway." The Nueces County Courthouse is located at this proposed gateway.**
5. **Promote the visitor economy and a Downtown Area "play" environment,**

For years, the historic Nueces County Courthouse site has been severed from downtown activity and due to the lack of maintenance or rehabilitation, an eyesore for those entering the area. **With the removal of the Harbor Bridge and realignment of the approach, the DADP now recognizes the strategic location of this site as a component of the fourth vision theme. It is identified as a "priority redevelopment opportunity" and the land around it is explored in-depth in the SEA District Framework.** The framework calls for:

- Redevelopment of the parcels between the old county and new federal courthouse buildings.
- Transformation of the old IH-37 and Harbor Bridge interchange once the bridge is relocated. Recommendations include a unique landscaped gateway and traffic circle.
- Redesigning IH-37 as a city-oriented street which may even mean elevating it in places to meet the city grid.

Beyond the land use and urban design recommendations for the site, the DADP also includes specific action-oriented goals to support private sector investment. The most important of which is utilizing the existing downtown Tax Increment Reinvestment Zone (TIRZ) #3 to "unlock market-driven development with flexible, effective options serving the difference incentive needs of different projects." While the TIRZ was established in 2008, action has been swift to realign it with new



Figure 12. The transformed "Gateway to the Bay" at the former I 37/Old Harbor Bridge interchange. The Nueces County Courthouse (center of image) is rendered with a new addition on the western façade notably assuming its preservation and re-use as well as integrating a pedestrian-friendly environment.

downtown goals. The city and the Corpus Christi Downtown Management District (DMD), worked together to develop four incentive programs to drive investment within the Zone. An amended project plan was approved in fall 2015.⁵ The initial focus is on residential and mixed use development with the following programs potentially applicable to the Nueces County Courthouse site as it is within the TIRZ #3 boundary.

- New Tenant Commercial Finish-Out Grant Program – Reimburse approved leasable new tenant finish-outs at a maximum rate of \$10 per square foot (up to \$100,000 annually).
- Downtown Living Initiative - \$10,000 per unit reimbursement grant for multi-family developments of over 10 units. (100 units annually).
- Project Specific Development Agreement – In situations where higher development costs create a financing gap, TIRZ #3 can provide assistance to property owners or developers through a 10-year annual tax reimbursement grant of 75 percent. Historic preservation is a qualifying element. For example, a new project appraised at \$10 million would be eligible for a reimbursement of \$120,750 annually or \$1.2 million for the total project.

In addition to the planning framework and city incentives, there are also a number of organizations dedicated to downtown improvement. The Nueces County Courthouse property is on the border between the Marina Arts District and the SEA District. These districts represent their respective business and property owners and work to actively promote downtown Corpus Christi as a live, work, play destination. The SEA District is an association formed by the 13 major venues within the boundary and the business stakeholders are tasked with managing sales, marketing and promotion for the area. The Marina Arts District is

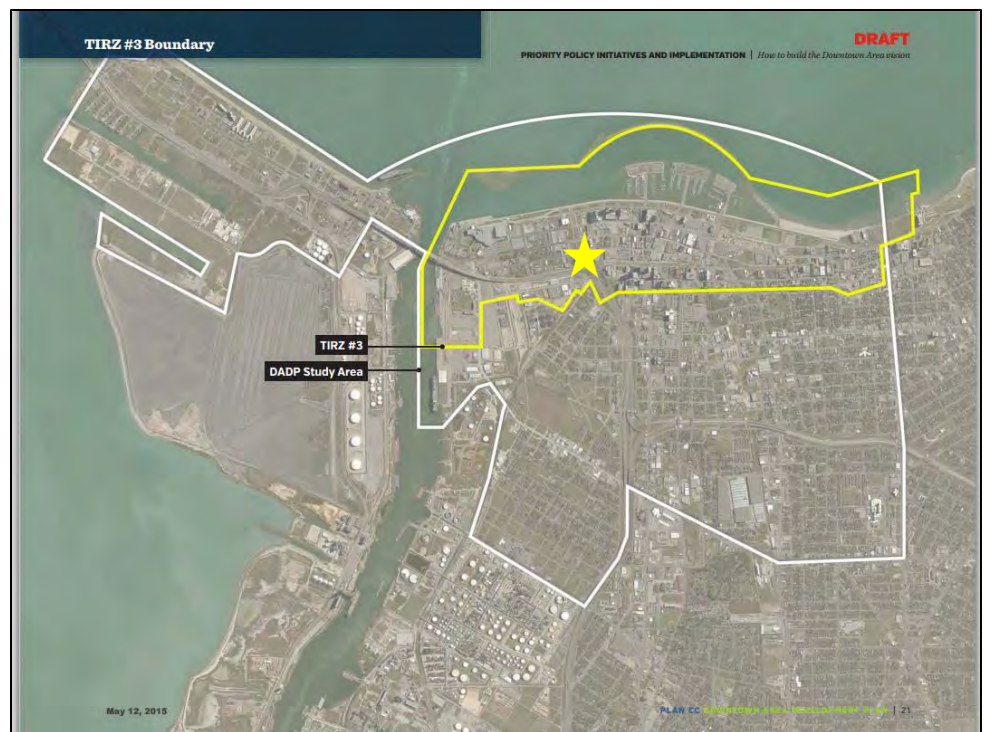


Figure 13. TIRZ#3 Boundary, excerpted from May 2015 Draft of the DADP.

professionally managed by the Downtown Management District (DMD). Recent changes in leadership (2014) have brought staff experienced in historic downtown development, business attraction and public/private partnership leadership. The Marina Arts District has also been accepted to enter the Texas Main Street Program as an Urban Main Street in 2016 in part to increase awareness for the value of historic preservation-based economic development.

The ability to effectively implement the downtown planning initiatives depends upon political will and funding availability in the future. However, Plan CC and the Downtown Area Development Plan, provide the necessary policy components to

⁵ Downtown Corpus Christi (TIRZ#3) Development Incentives Program Guide. Updated September 2015.

http://www.cctexas.com/Assets/Government/Deputy-City-Manager/Business-Liaison/Files/DowntownIncentiveProgramGuideTIRZ_3.pdf

achieve the significant scale of redevelopment and revitalization imagined for Corpus Christi's downtown including the rehabilitation of the historic Nueces County Courthouse.

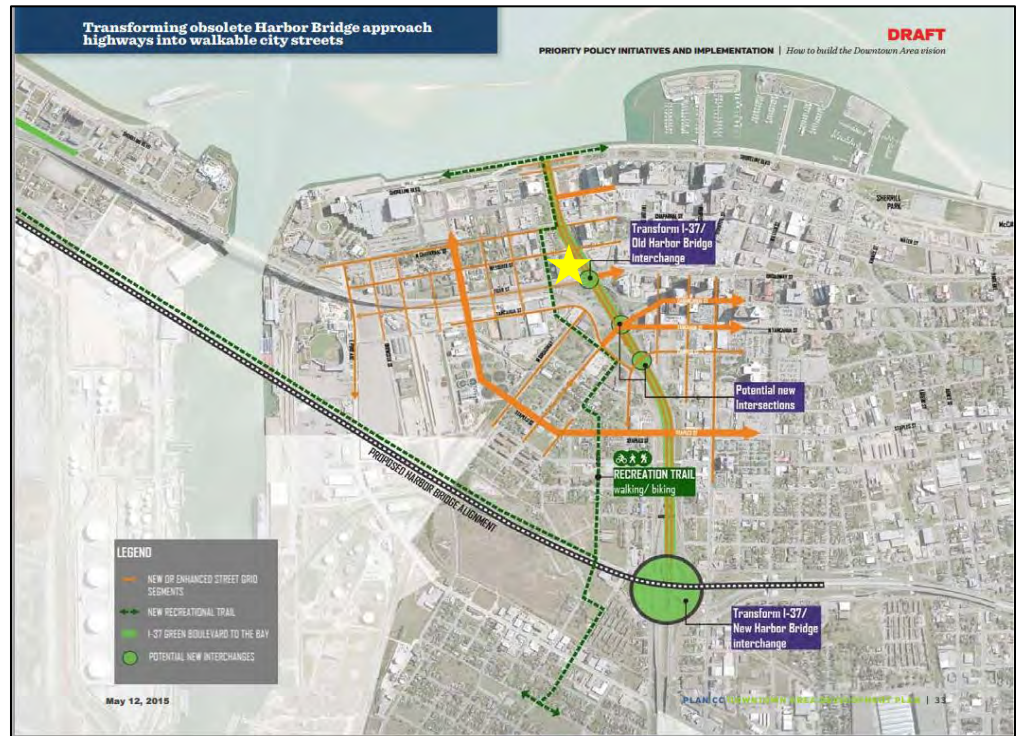


Figure 14. Transformation of the obsolete Harbor Bridge Approach showing concept diagrams for walkable street and new pedestrian connections from north to south, excerpted from the May 2015 Draft of the DADP.

Regulatory Framework

The site has a base zoning of Intensive Commercial (CI) and is within a mixed use zoning overlay. The base zoning allows a wide variety of commercial uses and also permits residential development. According to the city's new Unified Development Code (UDC), there are no restrictions on density, lot area, setbacks, minimum open space and height.

COMMERCIAL DISTRICTS	CN-1	CN-2	ON	CR-1	CR-2	CR-3	CG-2	CI	CBD
Max. Density (units/acre)	37	15 ¹	37		44		37		
Min Lot Area (sq. ft.)	6,000	6,000	6,000	6,000	6,000		6,000		
Min. Lot Width (ft.)	50	50	50	50	50	50	50		
Min. Yards (ft.)									
Street (front)	20	20	20	20	20	10 ²	20	0	0
Street (corner)	15	15	15	15	15	15	15	0	0
Side (single)	10	0 ³	10	10	10	0	10	0 ³	0
Side (total)	20	0 ³	20	20	20	0	20	0 ³	0
Rear	10	0 ⁴	10	10	10	0	10	0 ³	0
Side and Rear, abutting residential district	See Section 4.2.8.C								
Min. Open Space	30%	25%	30%	25%	25%		30%		
Max Height (ft.)	35	36 ⁵	45						

The site lies within the boundary for the Uptown-Downtown (MUS) Overlay, which is intended to

encourage mixed use development incorporating residential or tourist uses. Projects developed under these provisions are required to follow the Mixed Use Overlay District Standards of Section 6.8 in the UDC, but are permitted some additional exceptions and incentives including:

- Waived "Use Privilege Agreement" fees for awnings, arcades, porticos, marquees and streetscape furniture in the public right of way;
- No additional parking above what is currently present on site shall be required, provided existing parking is not reduced.

The not yet adopted Future Land Use Map in Plan CC identifies this tract as Mixed Use. This implies that the desired future use is ground floor commercial and upper level residential. Future proposals for zoning changes or planned developments in this area that are inconsistent with the future land use designation would likely not be approved.

In terms of other regulatory requirements, the historic courthouse does not have any local historic designations or restrictions. If redevelopment involves use of the state and federal historic preservation tax incentives, the proposed work would need to meet the Secretary of the Interior's Standards for Rehabilitation and as determined by the Texas Historical Commission and the National Park Service. The courthouse is a Recorded Texas Historic Landmark and State Antiquities Landmark so regardless of participation in the historic tax credit programs, proposed work must be reviewed and approved by the Texas Historical Commission.

Figure 15. Residential Development (Commercial Zoning Districts), Corpus Christi Unified Development Code, page 174. *The UDC places no restrictions on density, lot area, setbacks and height for residential development in an Intensive Commercial zoning district (highlighted).*



Figure 16. Mixed Use Overlay Boundary, adopted 2011. Map courtesy Corpus Christi Development Services.

Market Summary

As mentioned in the previous section, extensive market analyses were conducted as part of the Plan CC and DADP processes. W-ZHA, LLC completed the “Office, Retail and Hotel Market Assessment” in September 2014 which provides a baseline analysis of current conditions and recent trends in the Corpus Christi marketplace. Zimmerman/Volk Associates, Inc. completed “An Analysis of Residential Market Potential” in May 2014.

Residential Development Opportunity

Summarized from Zimmerman/Volk’s Study

The Downtown Area Development Plan is shaped significantly by the housing projection numbers and housing is anticipated to drive downtown’s transformation. Residential occupancy rates are currently near full capacity in downtown. Apartment occupancy was 94.2% in the first quarter of 2015 and the industry considers 96% to be full occupancy. The Residential Demand Study conducted for the DADP stated that over the next 5 years, 1,850 new units could be absorbed in the greater downtown if the threshold made investment attractive. This number is considered the “market potential” meaning the number of households that *could* move if the appropriate housing options were available. It should not be confused with housing need.

As determined by target market methodology, an annual average of over 3,400 younger singles and couples, empty nesters, retirees and compact families represent the potential market for new housing units in downtown. The projected residential mix for the target market is reported as:

- Empty nester and retirees – 19%
- Traditional and non-traditional families – 13%
- Younger singles and couples – 68%

The report suggests an average annual capture rate of between 10% and 18% of the target market depending on the residential product. Multi-family residential is projected to have the highest capture rate of 15-18%, which could increase as the downtown neighborhood is established.

The analysis calls for primarily multi-family units with a mix of rental and ownership and cited the critical importance of increasing downtown residential to support the retail, visitor and office economies. The analysis includes a proposed rental rate for the new housing types, reported as a weighted average base rent/price. These are proposed at:

- \$1.63 per square foot for multi-family for-rent (lofts, upscale apartments)
- \$213 per square foot for multi-family for sale (lofts, upscale condos)
- \$190 per square foot for single family attached for sale (townhouses, rowhouses and live-work)

The study projects 353-423 units of new market rate housing could potentially be absorbed annually per year over the next five years, which breaks down to 222-266 units of rental multi-family, 72-86 for-sale multi-family and 59-71 for-sale single family each year.

The City of Corpus Christi's population has grown rapidly recently with over 40,000 more residents and approximately 20,000 more households today than there were in 2010.

With 80 percent of the region's jobs, City of Corpus Christi is the employment hub of the Coastal Bend region. Like the population, employment has grown in Corpus Christi and the City has an unemployment rate below the state and national average.

In contrast to residential, Corpus Christi's office market is quite weak with relatively high vacancy and low rents. Growth in the regional economy has had relatively little impact on the office market. Future employment growth among industries that typically occupy office space will likely reduce vacancy over the next decade. The prospects for new general office construction are constrained by average rents that are not sufficient to cover construction costs.

Corpus Christi is a shopping destination for the region. It does not appear, however, that tourists are contributing significantly to retail sales. The data do indicate that the tourist market greatly contributes to eating and drinking sales in the City. Population growth over the next decade will result in demand for approximately one million square feet of new retail and eating and drinking development in the City. The W-ZHA study reported a vacancy rate in the CBD at 6% and an average annual retail rental rate of \$10.09 per square foot.

With an overall occupancy rate of 65 percent and average revenue per available room over \$70.00, the midscale and upscale hotel market is healthy. The city benefits from a robust business and tourist market, with hotels doing the best during the summer season. W-ZHA's study reports that the market has grown by 2.4% per year in the last ten years and employment growth alone over the next decade will generate demand for an additional 300 to 500 rooms in Corpus Christi.

Conceptual Design

The TSI Team has developed a preliminary feasibility analysis for redevelopment of the historic Nueces County Courthouse through the use of available preservation tools and potential incentives.

As a public asset, re-use of the building for county or city services, a visitor's center or a science and technology facility would be the best outcome as it retains the building's public presence in the heart of the city. Given the limitations of state funding and the local government's lack of support for repurposing the building, the options pursued here are through the private sector only. This is not to say that legislative efforts to secure funding or the local government's interest in direct participation in the building's future will not change.

Use of the historic building for commercial use such as office or hotel was considered. The building lends itself to redevelopment for office use as the courtrooms can be easily adapted to an open office environment and would be attractive to various types of businesses. Unfortunately existing market data shows the office market to be very soft across the city and in downtown with projected rents that do not support construction costs. A notable exception would be a single marquee tenant, such as a corporate headquarters or institutional tenant, who would want to utilize the entire building. Under such circumstances, the building's landmark status and positive community outcome project the desired image and short or long term profit are not a factor. There are examples of this situation around the state and the country, but since no tenant of this type has been specifically identified, we have limited our study to the more typical and conservative market scenario.

Likewise, the building might be reasonably converted to a boutique hotel. The building type, spaces, and design have strong potential for specialized guest lodging and the hotel market nationally has been in a boom cycle. There are examples of urban courthouses and other historic government offices successfully being converted to upscale lodging. Research also suggests a demand for additional lodging in Corpus Christi; however, it is not clear that lodging rates will support an upscale boutique hotel compatible with this structure and location. If the redevelopment of the historic courthouse was lagging the market with other new construction in the immediate vicinity the potential might be viewed differently, but the surroundings currently lack necessary amenities and vibrancy to support hotel development.

Currently, redevelopment of the courthouse is necessary to spur other private sector real estate investment rather than the reverse.

Therefore, the team began the analysis with two possible re-use programs for residential:

- A 60-unit mixed income for-lease housing development
- A 50-unit luxury for-lease housing development

The TSI team developed the residential program based on the market demand data from the *Plan CC* process, the downtown priorities identified in the Downtown Area Development Plan and constraints of the existing physical infrastructure of the building. According to the DADP, "new housing offers by far the strongest investment opportunity." The desire to increase residential in downtown is further supported by action steps that have already been taken by the city and the Downtown Management District to set the stage for private sector investment including significant tax incentives through TIRZ#3, the establishment of mixed use zoning overlays which relieve some barriers to parking and permit fees, and the planned removal of IH-37 and the Harbor Bridge Interchange adjacent to the courthouse which will help to "heal" the urban fabric.

After studying the initial financial feasibility numbers for both options, it was determined that due to the costs of construction and the relatively low number of units, the revenue generated by the mixed-income project would likely be insufficient to meet the debt load for the project. The 50-unit luxury for-lease project was potentially feasible, but the financial gap was sizeable enough that the team revisited the floorplans to determine whether any of the courtrooms and floor area above them could be converted to residential to gain additional lease space. Consideration of the loss of historic materials inside the courthouse from decades of vacancy suggests that not all of the three courtrooms and their two-story volumes need to be preserved to qualify for the rehabilitation credits. This compromise reflects one of many ways in which rehabilitation can be more flexible than the preservation treatment of restoration.

The final determining factor in selecting the program was the eligibility requirements for the New Market Tax Credit program. In order for the project to be able to qualify, at least 20% of the revenue generated from the building must come from commercial activity. Given the construction estimates at this preliminary stage, the equity this program provides is essential to making the project feasible. Therefore, in the proposed conceptual plan, the three courtrooms are planned to be leasable office space, while floors one, two, four and five will be residential. The critical and historic features such as the central stairs and corridors are all retained, although some of the building corridors with limited historic fabric may be narrowed to gain additional leasable square footage. While some redevelopment concepts over the years have suggested removal of the west wing (1930 addition), it provides the most flexibility for converting to residential and is able to accommodate units on every floor

The best identified option for potential redevelopment of the Nueces County Courthouse is:

- 62 units (45,490 square feet) of luxury residential
- 14,570 square feet of commercial lease space, which will likely be best suited for office

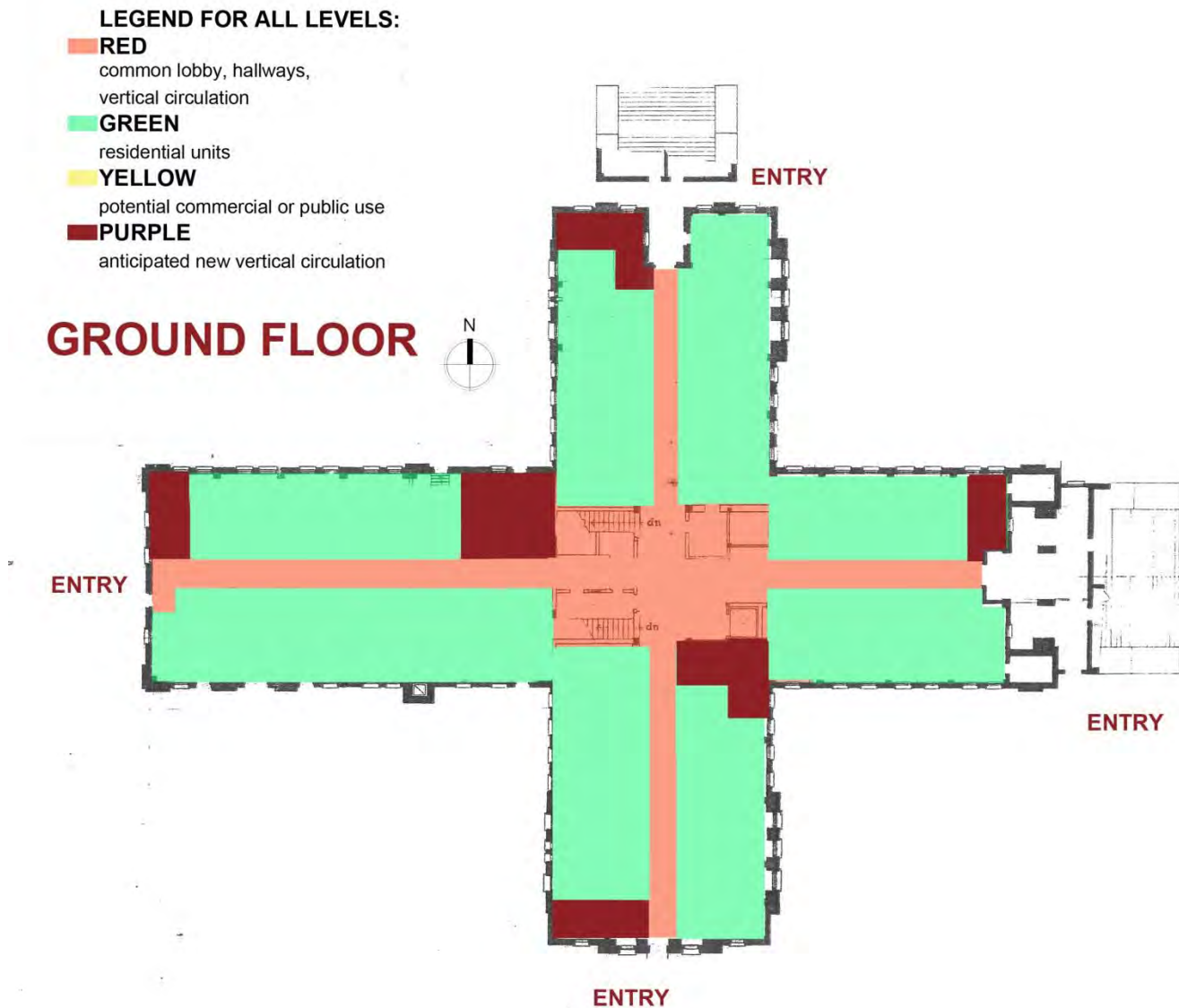
Local development codes do not require additional parking beyond what is currently on site, but the parcel can potentially accommodate surface parking for one space per unit. Downtowns working to attract mixed use development often ease parking requirements as an incentive for developers. Parking ratios would need to be further explored based on the final proposed program.

Table C. Conceptual Design Summary		
Use	Description	Proposed Lease Rates
Market Rate Apartments	62 Luxury For-Lease Apartments 1 Bedroom – 48 (710 sq. ft.) 2 Bedroom – 14 (815 sq. ft.) Fitness Center, Community Rooms, Surface Parking	One bedroom from \$1170 Two bedroom from \$1340* *First floor units may feature private outdoor terraces and command premium rents.
Commercial/Office	Three courtrooms with potential for small ground floor commercial space (14,570 sq. ft. total)	From \$14 per square foot annually

Conceptual Design

The diagrams on the following pages highlight the proposed use by floor. Ground floor units may be able feature private outdoor terraces (not illustrated).

Floor Plans



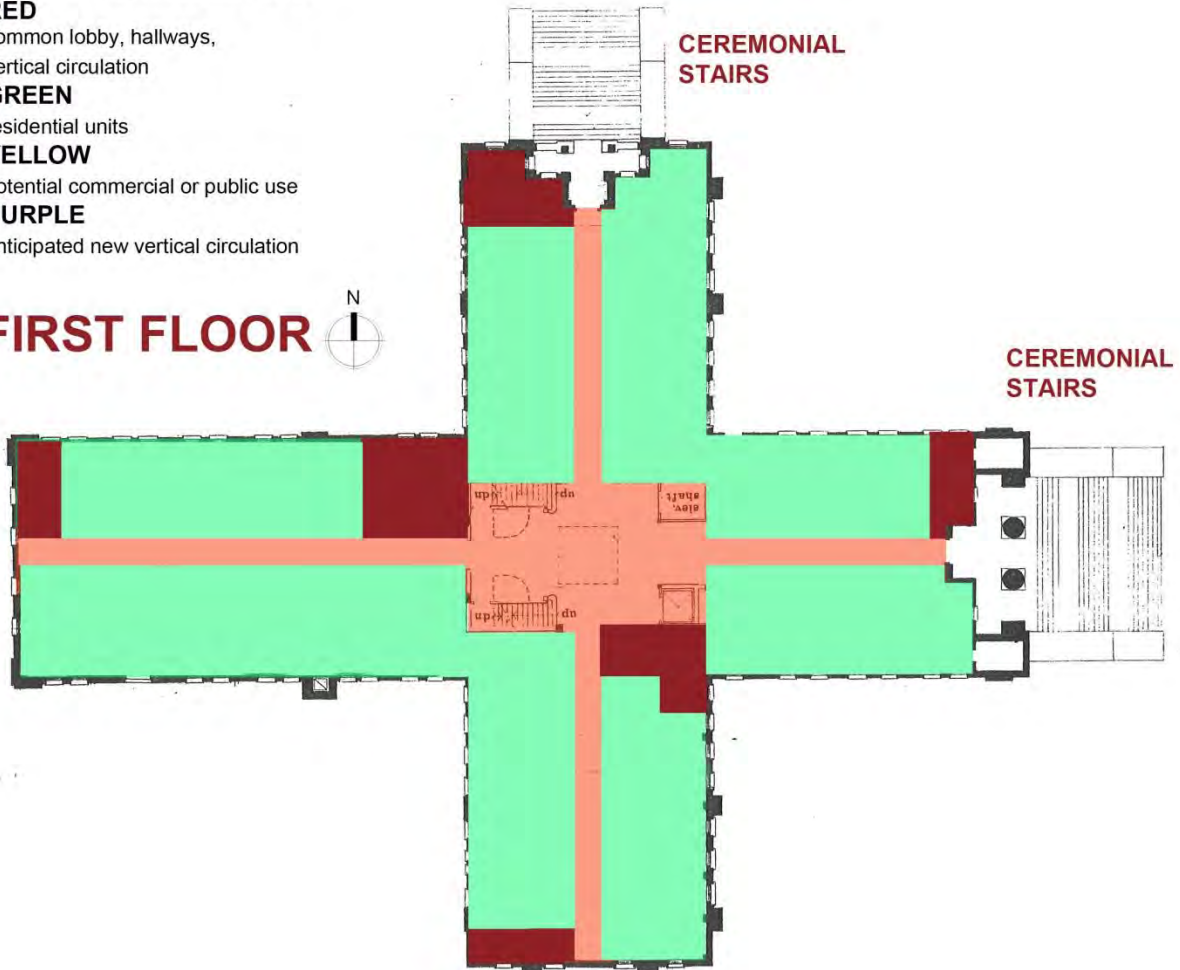
Conceptual Design

Floor Plans

LEGEND FOR ALL LEVELS:

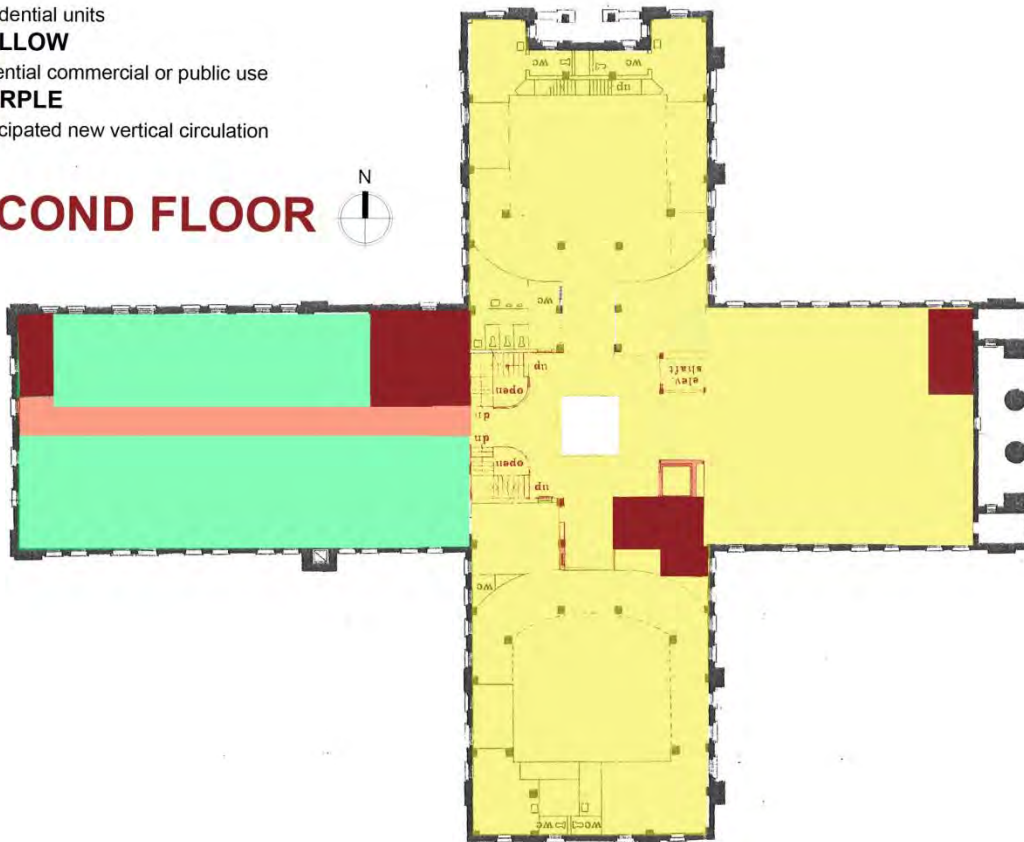
- RED**
common lobby, hallways,
vertical circulation
- GREEN**
residential units
- YELLOW**
potential commercial or public use
- PURPLE**
anticipated new vertical circulation

FIRST FLOOR



Floor Plans

SECOND FLOOR



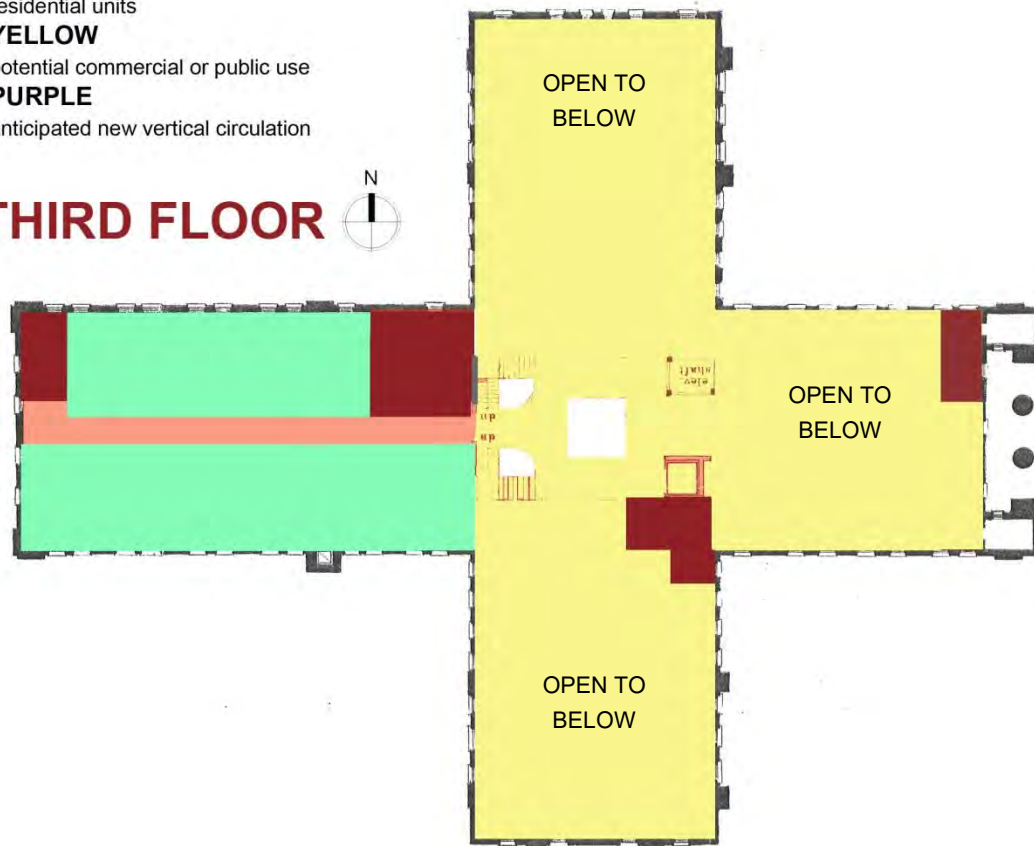
Conceptual Design

Floor Plans

LEGEND FOR ALL LEVELS:

- RED**
common lobby, hallways,
vertical circulation
- GREEN**
residential units
- YELLOW**
potential commercial or public use
- PURPLE**
anticipated new vertical circulation

THIRD FLOOR



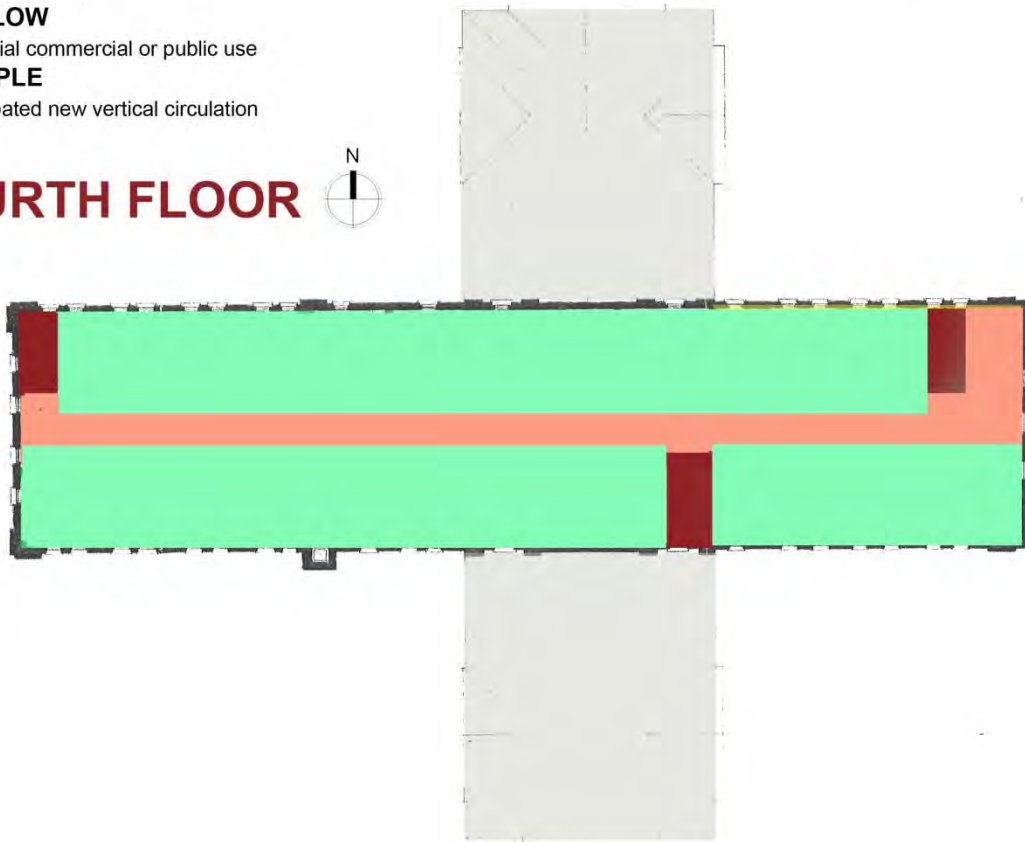
Conceptual Design

Floor Plans

LEGEND FOR ALL LEVELS:

- **RED**
common lobby, hallways,
vertical circulation
- **GREEN**
residential units
- **YELLOW**
potential commercial or public use
- **PURPLE**
anticipated new vertical circulation

FOURTH FLOOR

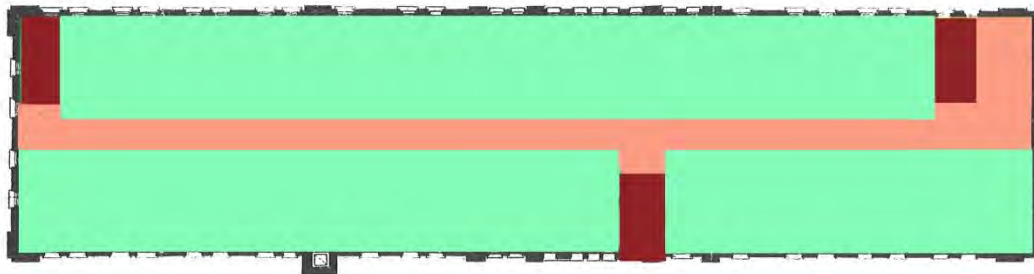


Conceptual Design

Floor Plans

- LEGEND FOR ALL LEVELS:**
- RED**
common lobby, hallways,
vertical circulation
 - GREEN**
residential units
 - YELLOW**
potential commercial or public use
 - PURPLE**
anticipated new vertical circulation

FIFTH FLOOR



Financial Feasibility

Project Development Costs and Funding Sources

Due to the historic nature of the Nueces County Courthouse and its proposed redevelopment as market rate housing, our report assumed that the project could avail itself of federal New Market Tax Credits (NMTC) as well as federal and state historic tax credits (HTC). The courthouse is located in a qualified census tract where at least 20% of the population lives below the United States poverty level. Accordingly, the project is eligible to apply for the 39% New Market Tax Credits. The building is listed on the National Register of Historic Places and therefore could qualify for the combined 45% federal and state historic tax credits. To access the New Market Tax Credits, the owners of a development project must partner with a Community Development Financial Institution (CDFI) who matches potential investors with the credits and the real estate project. The state and federal rehabilitation tax credits are both applied for through the Texas Historical Commission. Neither the state nor the federal historic rehabilitation credits are subject to caps or direct competition; therefore, if the construction work meets the required rehabilitation standards, the owners are entitled to utilize the substantial credits. Combining all three of these credits is feasible; however, they will require careful planning to achieve timely and optimum syndication of the tax credits.

Under the award-winning Texas Historic Courthouse Preservation Program (THCPP), Nueces County may be eligible to receive an additional \$3,766,599 in grant funds. The financing scenario outlined below accounts for this grant. Typically the program seeks to support courthouses that are continuing to function in their historic capacity as public institutions, but given the building's endangered status and historic significance, it is possible for these funds to be utilized for a rehabilitation that will result in an end use that does not retain traditional courthouse functions. In addition, new statutory changes to the grant program make either the county or city an eligible recipient of the additional \$3.77 million of available funds. Careful legal and financial planning will be necessary to combine the THC grant funds with the various tax credits. THC grants are awarded on a competitive basis and to date, the program has fully restored 63 Texas courthouses and another 28 have received emergency or planning grants to complete small projects. The program received a \$20 million appropriation from the 84th Texas Legislature for the 2016–2017 biennium and the THC is now accepting applications for Round IX.

The 2010 renovation estimate provided by LNV Engineers, Architects and Contractors of \$41,100,000 noted a possible margin of error of plus or minus 40% which places the range of probable construction costs between \$24 and \$58 million. To derive a practical point from which to work, TSI staff indexed LNV's 2010 estimate to Turner Construction's annual construction cost forecast to derive an average annual cost index of 17.2% for the intervening period of 2010 to 2016. The Turner Building Cost Index is used widely by the construction industry as well as federal and state governments. Consequently, the starting construction estimate of \$41,100,000 was adjusted to \$48,200,000 or \$557.00 per sq. ft. for hard and soft costs. Lastly, as LNV's figure did not include a developer's fee, we conservatively added 11% to the construction costs to more fully capture the project's anticipated cost. Adding an 11% developer's fee of \$5,012,951 raised the anticipated 2016 construction total to \$53,502,000 or \$619 per sq. ft.

Since tax credits account for a significant portion of the project budget, 39.6%, we adjusted the tax credits for each funding source by the anticipated equity the credits would likely bring through syndication. Syndication is the method by which a developer can monetize the value of the credits during construction as part of the financial package instead of collecting the credits at the end of the project. This approach allowed us to identify realistic financial gaps in the development budget. Our analysis assumed a 24-month construction schedule with a \$3,766,599 THCPP grant, \$7,375,523 of permanent financing and \$33,617,029 of syndicated tax credit equity immediately available for

construction. The THCPP grant is issued on a reimbursement basis; however, funds can be drawn down during construction as the work progresses on a monthly basis.

As previously described, this report presents a market rate strategy for 62 luxury apartments. The team's analysis had considered including the 9% Low-Income Housing Tax Credits to fill the construction financing gap; however, the required number of below market rents (30%) reduced the amount of permanent financing the rental revenue could support by \$4,150,000. Therefore, it was determined that market rate housing was financially more viable than subsidized low income through the use of tax credits.

In the proposed concept, the courthouse can accommodate 48 1-bedroom, 1-bath units measuring 710 sq. ft. with monthly rent set at \$1.65 per sq. ft. or \$1,170 per month. The remaining 14 apartments consist of 2-bedroom, 1-bath measuring 815 sq. ft. with monthly rent set at \$1.65 per sq. ft. or \$1,340.00 per month. The projected rents were established utilizing information in the market research as well as comparison to new upscale rentals already coming online in downtown Corpus Christi.

Our operating pro forma assumed an average vacancy rate of 7% for the 62 apartments across 15 years. Annual income was adjusted by 2% while expenses were adjusted by 3%. After accounting for an annual debt service payment of \$417,456, the 62 apartments and 14,570 square feet of Class B Commercial space produced a first year net cash flow of \$63,911 with a debt service coverage ratio of 1.15. **Net annual cash flow continued to steadily increase and, by year 15, producing \$112,261 of cash flow with a debt service coverage ratio of 1.27.** The property's strong earnings potential reinforces the likelihood of appealing to a private developer as it should be able to secure competitive financing and peak investor interest.

Each of the market rate apartments will feature open floor plan with quality finishes and minimal design alterations to enhance the historic character and spacious presentation of each unit. The majority of the units are intended to attract young professionals and even the 2-bedroom units could be aggressively marketed to individual young professionals seeking home office space in the urban core. As the first higher end historic residential units in Corpus Christ, the project has the ability to be a high-profile redevelopment project for the city. Retaining the historic nature of the courthouse avails the project of \$21,183,127 in tax credit equity with an additional \$3.77 million in THCPP grant funds to improve the project's financial feasibility.⁶

Using an income approach to value, our analysis calculated a post construction appraisal value of \$11,282,032. With a Nueces County property tax rate of 2.75% the courthouse's incremental taxable value would produce \$310,168 in new annual property taxes. The City of Corpus Christi, Nueces County, and the Del Mar College District have agreed to provide a 75% tax abatement on real property improvements as described in the TIRZ #3 Project Plan. Should the project be selected for this program, the annual average property tax savings would be approximately \$136,230 based on an estimated appraised value of \$11.2 million. The reimbursement of incremental taxes could also provide operational support until rental vacancy stabilizes at 90% for a year, or alternatively, it could be used to fill the project's construction financing gap (discussed in more detail below).

⁶ The project assumes Federal Historic Preservation Tax Credit investment at \$.86 per dollar and Texas Historic Preservation Tax Credit investment at \$.93 per dollar.

Table D. Project Development Costs and Funding Sources

Project Development Costs		Funding Sources	
Structural Repair Cost	\$27,427,829	Permanent Loan	\$7,375,523
Interior Finish-Out	\$7,599,342	State HTC Equity	\$12,175,577
Mechanical, Electrical, Plumbing	\$6,012,220	Federal HTC Equity	\$9,007,309
Asbestos/Lead Abatement	\$2,345,400	NMTC Equity	\$12,434,143
Architectural, Engineering Fees	\$4,635,469	Deferred Developer Fees	\$0
Inspections	\$293,191	Potential THCPP Grant	\$3,766,599
Materials Testing	\$175,916		
Developers Fee	\$5,012,633		
Total Development Costs	\$53,502,000	Total Funding Sources	\$44,759,151
		Financing Gap	\$8,742,849

Table E. Cash Flow

Annual Net Operating Income	\$481,367
Annual Debt Service	\$417,456
Net Cash Flow	\$63,911
Debt Service Coverage Ratio	1.15

Gap Financing Considerations

The redevelopment of the Nueces County Courthouse is feasible, but it will necessitate additional sources of financing to fill what is estimated to be an approximately \$8.7 million gap. The analysis demonstrates what many involved with this project over the years already know: the redevelopment of this historically significant structure cannot happen without contributions from both the public and private sector. The analysis also demonstrates that there are now several key new sources of funds that can assist in closing the gap including the city's TIRZ #3 developer incentives, the state historic tax credit, and the increased THCPP funds. Once a current structural engineering assessment is available and project costs can be assessed more accurately, there are a myriad of additional tools that could be combined with the scenario outlined above to realize this project. These additional tools include:

- **TIRZ#3 Project Specific Development Agreement** – In situations where higher development costs create a financing gap, TIRZ #3 can provide assistance to property owners or developers through a 10-year annual tax reimbursement grant of 75%. Historic preservation is a qualifying element for the City of Corpus Christi. As noted above, a final appraised value of the restored courthouse at \$11.2 million would yield approximately \$136,230 in reimbursed funds annually. The incremental taxes could be used to secure additional construction financing or make P&I payments on deferred developer fees.
- **Downtown Living Initiative** - \$10,000 per unit reimbursement grant for multi-family developments of over 10 units. (Limit of 100 units annually). This could potentially yield \$620,000. Applications are accepted until the allocation is exhausted each fiscal year.

- Negotiated Developer Fee – Our analysis assumed an 11% developer’s fee of \$5,012,633 that could be a point of negotiation with an interested developer. It is not unusual for a developer to defer up to 50% of their fees to be paid over a 10 to 15-year term at an agreed upon rate of interest.
- Transfer of additional land for new construction and therefore additional future revenue – This scenario would presumably be made possible from land reverting back to public ownership with the demolition of the interstate and bridge. The vacant city-owned parcels between the old and new federal courthouse also present an opportunity for land assembly and coordinated redevelopment.
- County Demolition Fee Calculations – LNV’s 2010 estimate of demolition of the Nueces County courthouse ranged in cost from \$2,000,000 to \$3,000,000. Adjusting these costs to the Turner Construction annual index, cited earlier, increases the county’s indebtedness between \$344,000 and \$516,000, meaning demolition costs could range as high as \$3.5 million. The preservation of the courthouse eliminates the amount of demolition and site cleanup anticipated in LNV’s 2010 estimate. If the demolition costs of the courthouse have been anticipated by Nueces County, arguably these could be redirected to fill the gap of approximately \$8.7 million that remains unaccounted for in the construction budget. Diverting these otherwise sunk costs toward adding value to the property could limit the county’s financial exposure. Moreover, the eventual control of the property to a private development could provide a long-term tax revenue source for both the county and city. Our figures estimate an annual incremental property tax increase of about \$275,000 in year one.
- As a new Main Street community, the City of Corpus Christi should consider revising their local ordinances to allow developers who rehabilitate landmark structures to avail themselves of a 100% property tax abatement. Many Texas cities recognize landmark structures as anchors for both historic preservation and neighborhood revitalization, offering tax abatements to “reward” property owners. Austin provides relief for 100% of the city taxes assessed on the added value of the property after rehabilitation for a period of ten years, while San Antonio offers the 5 Zero/5 Fifty exemption: no city property taxes are owed for the first five years and for the next five years, the city taxes are assessed at 50% of post-rehabilitation appraisal. While the City of Corpus Christi’s current incentive program would allow the Nueces County Courthouse to qualify for a 75% tax reimbursement grant for ten years, providing an additional 25% of municipal tax savings to the courthouse would equal approximately \$33,846 of annual tax savings on an appraised value of \$11.2 million. The additional property tax savings could capitalize a property maintenance fund dedicated to preserving the iconic character of landmark structures.

Once some of these additional tools are integrated into the analysis, the gap begins to narrow fairly quickly (See Table E.). Should Nueces County agree to redirect funds that would otherwise be required to address the property’s demolition and site clean-up, that figure would conservatively be between \$2 and \$3 million. The 10-year 75% tax abatement offered via a developer agreement through the TIRZ #3 could be used to secure additional project financing or entice developer equity through deferred developer fees. It is anticipated that an additional \$1,126,000 of permanent financing at 3.9% for 10-years or developer equity could be secured due to the annual property tax savings. Lastly, through the City of Corpus Christi’s Downtown Living Initiative, it is likely the project would qualify for a \$10,000 reimbursement grant on each of the 62 apartment units (\$620,000).

Table F. Alternative Sources of Gap Financing

Financing Gap	\$8,742,849
Nueces County - <i>County funds otherwise allocated for demolition and site clean-up</i>	\$2,500,000
Downtown Living Initiative - <i>\$10,000 per housing unit</i>	\$620,000
Deferred Developer Fees – <i>3.9% Interest for 10-year term</i>	\$1,126,000
Total Alternative Sources	\$4,246,000
Adjusted Financing Gap	\$4,496,849

It is clear that the timing is ideal in light of the historic preservation incentives available and Corpus Christi's priorities for downtown revitalization, but the financial feasibility estimates in this study are intended to be a starting point for discussion of the future possibilities for this building within this new policy framework. The study should be shared freely with Nueces County officials, the City of Corpus Christi and other professional audiences with expertise in historic real estate development for feedback and continuing dialogue.

**Preliminary Conceptual Design and Financial Feasibility Study for
Redevelopment of the Nueces County Courthouse**

Appendix

About the Town Square Initiative

Development Worksheets

Project Narrative from the 2007 THCPP Completion Report
(includes material and condition assessments)

South Texas Exploratorium Project Plan, 2004

Downtown Corpus Christi TIRZ #3 Development Incentive Program Guide

Federal and Texas Historic Preservation Tax Incentives

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About the Town Square Initiative

The Town Square Initiative provides services to spur preservation-based projects so that local, small-scale and high quality development becomes more achievable in historic Texas downtowns. Through a team-based approach, development barriers are addressed, a market driven perspective is realized and vacant and under-utilized properties become desirable investment opportunities.

In November 2014, Main Street surveyed the level of vacant downtown property among its then, 89 Main Street cities. A response rate of 86.5 percent (77 out of 89) showed that of 1,340 buildings, approximately 17 percent of first floor retail space is vacant. The number would likely more than double if it included the number of occupied but still underutilized buildings or upper floors in the survey. Nationwide retail vacancies have averaged around 9 percent over recent years, with figures in the 3-5% range for healthy markets. Nationwide office vacancies have averaged 12 percent. These comparisons show that historic downtowns in Texas contain significantly higher vacancy rates than market averages.

Most of these buildings are vacant and not actively listed for sale or lease. Some are for sale and lease but marketed only locally. Others are for sale at inflated prices. These deteriorated buildings are typically perceived at the local level as a liability, rather than an asset, and their unchanging condition deters further investment in downtown. TSI was developed to enhance a community's existing historic preservation-based economic development strategies by providing project-specific support for vacant and underutilized buildings.

The intent is to create a vision for these properties, to prove a market for them and expose them to an audience capable of investment. Their potential is brought to light as they are re-imagined as catalysts for downtown redevelopment. The core service is a preliminary conceptual design and financial feasibility study, which includes renderings, market data and a pro-forma. These detailed design and financial analyses assist property owners and city leadership with initial calculations to determine the scope of the project and how to proceed. Information gathered during this study is also condensed into marketing materials directed to appropriate real estate and economic development audiences. In addition, if barriers to redevelopment are discovered during the feasibility study, TSI addresses comprehensive policy issues through a series of recommendations – including ordinances, economic incentives, long-term planning, etc. – that may be deterring investors. The team can continue to work closely with downtown decision-makers on taking the appropriate policy steps to remove these barriers.

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The Town Square Initiative's products are intended to provide visual concepts, general market data and financial estimates to assist in the preliminary phase of project design and planning. All drawings and development budget estimates are limited to conceptual design and are not for regulatory approval, permitting, or construction.

Nueces Courthouse General Information		Units: 62		1/21/2016	
Fed. LIHTC	NO				
State LIHTC	NO				
LIHTC Development Type	0.0793				
NMTC Project	NO				
Fed. Historic Credits	YES				
State Historic Credits	YES				
QCT	YES				
Lease Pass Through	YES				
Acquisition Credit	NO				
9% Rate	7.60%				
4% Rate	3.45%				
Federal Historic Rate	20%				
State Historic Rate	25%				
NMTC Rate	39%	BASIS CALCULATIONS			
Developer Return on Acquisition	8%	NMTC BASIS		\$53,142,677	
Developer Return on Development	12%	HISTORIC BASIS		\$52,373,311	
Contractor General Requirement	8%	LIHTC BASIS		\$0	
Contractor Over Head	2%	LIHTC BASIS (Pass-through)		\$0	
Contractor Profit	5%	ACQUISITION BASIS		0	
Construction Interest Rate	3.80%	CREDITS			
Construction Loan Origination Fee	1%	Total State Historic Credits		\$13,093,328	
Commercial Construction Cost/Sq.Ft.	\$467	Total Fed. Historic Credits		\$10,474,662	
Construction Cost per/residential unit	\$452,137	Total Eligible LIHTC Credits			
Residential Land/Building Acq. Cost/Unit	0	Requested LIHTC Credits		50	
Total Cost/Unit	\$519,957	New Market Tax Credits		\$20,725,644	
Total Cost/Unit w/ Const. Contingency	\$570,526				

SOURCE OF FUNDS				
Fed. LIHTC Equity	90	cents/\$	99.99%	
Fed. Hist. Equity	86	cents/\$	99.99%	\$9,007,309
State LIHTC Equity	0	cents/\$	99.99%	
State Hist. Equity	93	cents/\$	99.99%	\$12,175,577
NMTC	60	cents/\$	99.99%	\$12,434,143
THC Grant	100	cents/\$	99.99%	\$3,766,599
Deferred Dev. Fee				\$0
GAP				\$8,742,849
Permanent Loan				\$7,375,523
			Total Sources	\$53,502,000

USES OF FUNDS	Non-NMTC	Non-HIST	Non-LIHTC	
Building Acquisition Cost	1	1	1	1
Land Value	1	1	1	1
Residential Construction	359,321	359,321	359,321	28,032,488
Commercial Construction				6,803,923
Const. Orig. Fee				193,548
Construction Interest				854,117
Contractor General Conditions				2,242,599
Contractor Overhead				560,650
Contractor Profit				1,401,624
Contingency				3,135,277
Environmental Abatement		50,000	50,000	125,000
Parking				50,000
FF&E				0
Developmer Overhead/Conditions/Fee				5,012,633
Engineering				1,429,384
Architectural/Historic				2,736,390
Market Study & Environmental Report				75,000
Appraisal				15,000
Cost Certification				50,000
Closing Costs				15,000
Operating Reserve		578,066	578,066	578,066
Replacement Reserve		21700	21,700	21,700
Marketing Reserve		24800	24,800	24,800
Rent-Up Reserve		24,800	24,800	24,800
Bwr. Legal/Master Lease Fees		0	0	0
Bond Allocation Fee		0	0	0
Lender, Issuer & Trustee Fees		0	0	0
Bond Counsel & FNMA Fee		0	0	0
Compliance Monitoring Fee		0	0	0
Underwriting/Placement Fee		0	0	0
Tax Credit Fees		10,000	10,000	10,000
Permanent Financing Fees		0	0	0
Syn. Fees/ Legal Fees/ NMTC Org Fees		60,000	60,000	60,000
R.E. Tax During Construction				5,000
R.E. and Construction Legal				45,000
Total Uses		1,128,689	7,932,612	53,502,000
Developers Fee		\$52,373,311	\$45,569,388	
		18%	11%	

NMTC CALCULATION	
Allocation	53,142,677
Credits	20,725,644
Pricing/Value	15,544,233
Minus Allocation Fee (3%)	15,077,906

Project Cost Assumptions - Courthouse Square Apartments			
Uses:		Sources:	
Hard & Acq Costs	\$42,351,563	Permanent Loan	\$7,375,523
Soft Costs	\$4,634,322	SHTC Equity	\$12,175,577
Development Fee	\$5,012,633	FHTC Equity	\$9,007,309
Reserves	\$649,366	NMTC Equity	\$12,434,143
Capitalized Interest	\$854,117	THC Grant	\$3,766,599
		Deferred Dev. Fee	\$0
		GAP	8,742,849
Total Uses:	\$53,502,000	Total Sources:	\$53,502,000

INCOME		
Total Land Area (Acres)	1.93	
Gross Building Sq. Ft.	86,400	SF
Net Rentable Sq. Ft.	60,060	SF
Efficiency	69.51%	
Apt. Rent/Net Rntble Sq. Ft.	1.53	
Market Rate Rent/Sq.Ft.	1.65	45,490
Average Sq. Ft. Market	860	
Average Sq. Ft. 1br	710	48
Average Sq. Ft. 2br	815	14
UNIT TYPE	AVG RENT	UNITS
Efficiency (Homeless)		
Efficiency (30% TC)		
Efficiency (40% TC)		
Efficiency (50% HOME)		
Efficiency (60%)		
Efficiency (market):		
1br (Homeless)		
1br (30% TC)	0	0
1br (40%TC)		
1br (50% HOME)	0	0
1br (60%)	0	0
1br (market)	1,172	48
2br (Homeless)		
2br (30% TC)	0	0
2br (40% TC)		
2br (50% HOME)	0	0
2br (60%)	0	
2br (market)	1,345	14
% Market Rate Units	100.00%	62
Monthly Gross: Market Rate	75,059	
Monthly Gross: 1br	0	
Monthly Gross: 2br	0	
Residential Monthly Income	75,059	
Other Mthly Income (parking)	0	
# of Parking Stalls	74	
Rent per Stall	0	
Parking Income	0	
Commerical SFT	14,570	
Commercial Rent/Sq.Ft. NNN	\$14.00	
Commerical Monthly Income	16,998	
% Commercial Rent	22.65%	
TOTAL MONTHLY INCOME	92,057	

UNDERWRITING	
Gross Revenue	\$1,104,682
Vacancy Rate	7.00%
Vacancy	\$77,328
Expenses/Unit	\$8,454
Ann.Operating Exp. + Res.	\$545,988
NOI	\$481,367
Cap Rate	3.20%
Total Appraised Value	\$11,282,032
Appraised Value/Unit	\$181,968
Perm. Loan Amount	\$7,375,523
Perm Loan Interest Rate	3.9%
Perm Loan Debt Service	\$417,456
Mortgage Insurance Premium	\$267,303
GAP	\$8,742,849
GAP Debt Service	0
City Loan Interest Rate	0%
Total Debt Service	417,456
Cash Flow Annually	63,911
Min. DSCR	1.15
Actual DSCR	1.15
15 year Average DSCR	1.22
LTV	65.37%
Max. Loan	\$7,395,378
Loan Term	30
Construction Loan Amount	\$19,354,800
Construction Interest	\$854,117
Construction Period (months)	24
Seasoning Period (months)	0

Total Unit Cost / Unit	\$862,935
Perm Loan / Unit	\$118,960
LIHTC / Unit	\$0

Hard Cost / SFT	\$490.18
Total Cost / SFT	\$619.24

4 Project Narrative

A. Existing Conditions

The existing conditions of the 1915/1931 Nueces County Courthouse were thoroughly documented prior to commencing work on the project. For additional information, refer to the Master Plan: Room by Room Survey (Appendix 5D), Consultant Reports (Appendix 5E), Historic Drawings (Appendix 5J), and Historic and Recent Photographs (Appendix 5I).

The building had been vacant for over thirty years and most of its exterior openings were unprotected. Vandals and scavengers, as well as the elements, had caused extensive damage to the historic building fabric.

1. Substructure

Standard Foundations The foundation system consists of isolated spread footings, of reinforced concrete construction, with the bottom of the footings bearing on undisturbed soil at 6 to 7 feet below ground level. A grade beam of reinforced concrete follows the perimeter outline of the building.

Based on published soil surveys of the area, review of soils information contained in previous reports, and our experience in the region, we believe that these footings bear on layers of alluvial sandy clay having moderate shrink / swell potential.

In general, the foundation has performed well. The result of some minor foundation movement is visible in a few areas, in the form of cracked finish materials. The most severe movement has occurred at the two sets of monumental stairs that project from the main building frame on the east and north sides of the building. This movement should not be considered to affect the structural integrity of the building.

The 1931 addition has settled, causing the expansion joint between the 1931 addition and the original building to open approximately 2" at the upper floors. This movement has caused cracking and distress at building finishes and allowed water to penetrate the building at the roof and walls. Since the settlement appears to have stabilized, and since the 1931 foundation has settled as a unit, this condition does not affect the structural integrity of the building.

Slabs on Grade The Basement is a conventional reinforced concrete slab on grade, approximately 5" thick. Much of this slab has been covered with modern floor finish materials and its condition could not be observed. Where it was observed, it appeared to be in excellent condition. Previous reports indicated heaving in areas of this slab. Our team did not observe this condition but, should heaving be present, it is likely associated with poor control of stormwater around the building. Cracks observed were minor and are a normal condition with reinforced concrete construction.

At the interior construction at the Basement, we observed rust at the bottom of steel partition framing members and metal lath, and dry rot along the bottom edge of some of the wood baseboard. This was probably caused by vapor transmission through the slab.

2. Shell

Superstructure The structural frame of the building consists of reinforced concrete beams and columns. The 1914 building utilizes the Kahn system, a proprietary system of concrete reinforcement based on the steel truss. The 1931 addition utilizes a conventional reinforced concrete system.

The First, Second, Third, and Fourth Floor slabs of the 1914 building employ the Kahn "Floretyle" system of permanent metal void forms. This system is a precursor to the modern pan joist system. An interesting feature of the system is that the steel lath for a suspended plaster ceiling was part of the floor form. The First, Second, Third, and Fourth Floor slabs of the 1931 addition employ a one-way reinforced concrete slab system using clay tile as a void form, left in place following construction. The Fifth Floor and Roof slabs of the building employ a conventional one-way flat slab system.

The floor and roof slabs do not employ any air or vapor barriers, or thermal insulation. There is no fireproofing on the structure, but the concrete construction appears to meet the requirement of 1-hour fire protection for Floor/Ceiling assemblies and for Columns in the 1997 Standard Building Code.

The Fifth Floor slab (the lower jail level) at the 1914 building employed a soundproofing system of quilted eelgrass to protect the courtrooms and other public areas from noises in the jail. Remnants of the eelgrass are still affixed to wood grounds attached to the underside of the slab. Apparently, no soundproofing was used in the 1931 addition.

The superstructure of the building is in generally good condition. Where it is possible to see the frame due to loss of masonry veneer, almost all of the exterior beams and columns exhibit localized cracking and spalling. This typically occurs near the bottom of the beams at the location where anchor bolts for the steel lintels were placed and at other locations where ferrous anchors have corroded and expanded. The expansion of the corroded metal, and the associated cracking of the concrete, has allowed chloride-contaminated moisture to penetrate the concrete and begin to attack the reinforcing bars. We believe that this condition occurs at almost all exterior beams and columns, even where they are currently covered by the masonry veneer.

At a very few locations at the exterior beams and columns, we observed reinforcing bars that were insufficiently covered with concrete at the time of construction. The reinforcing bars were thus exposed to the corrosive effects of moisture and caused spalling of the adjacent concrete.

Interior beams and columns are typically in excellent condition. Where cracking and spalling occurs, it can generally be attributed to a nearby source of water, such as plumbing pipes or, in the case of more recent deterioration, unprotected exterior wall openings. For planning purposes, we estimated the percentages of columns and beams requiring minor and major repairs as follows:

	Quantity	Minor Repair	Major Repair
Columns			
<i>Interior</i>	270	5%	1%
<i>Exterior</i>	270	90%	10%
Total	540	50%	5%
Beams			
<i>Interior</i>	450	2%	1%
<i>Exterior</i>	300	95%	5%
Total	750	40%	4%

Floor slabs are in generally good condition. The metal pans of the Kahn "Floretyle" system do not perform a structural function after the concrete has cured. Despite extensive corrosion of these pans, this system should continue to perform well. There are areas of more severe corrosion, particularly near plumbing pipes and other water sources, where it appears that the reinforcing bars in the system have been affected. These areas will require repair.

Similarly, the flat slab floors are in good condition. There are several areas where the reinforcing bars are visible at the bottom edge of the slab. This is likely due to improper support during placement of the concrete. Most of the visible reinforcing bars appear to retain more than 75% of their cross-sectional area. These areas will require only minor repairs. At a few locations, primarily at the west end of the west wing and in the immediate vicinity of plumbing pipes, the slabs have suffered more extensive damage and the reinforcing bars will require localized replacement.

Exterior Walls Exterior walls are constructed of hollow clay tile, with common brick used as infill around penetrations and structural supports, at the monumental stairs at the north and east entrances, and at the gable ends of the attic. The walls are clad on the exterior with face brick and architectural terra cotta. The interior surface of these walls is finished with plaster, directly applied (without metal lath) to the hollow clay tile and concrete frame.

The hollow clay tile at the 1914 building, varying from creamy yellow to light pink in color, is from the Athens Fire Brick Co., Athens, Texas. The tile at the 1931 addition, a deep pink color, is from the D'Hanis Company, D'Hanis, Texas. The hollow clay tile is laid approximately flush with the outside face of the concrete frame. The 1931 specifications require the tile to be anchored to the concrete frame. We did not observe this, and we observed that the clay tile at the 1914 building did not appear to be anchored to the frame.

The face brick is a dry-pressed brick, of fairly uniform dark tan color, from the Elgin Butler Brick Company, Elgin, Texas. The units are 8-1/8" x 4" x 2-1/4" in size and are laid in a running bond with 1/4" wide struck joints. The mortar is white in color, although it now appears gray due to weathering.

At the lower level of the building the brick is laid with 3 flush courses alternating with 1 recessed course to express a continuous rusticated base. Above this rusticated base, vertical brick pilasters and brick wall surfaces are crisply planar, with no rustication.

Painted steel lintels, bolted to the concrete frame, support the brick above openings. The brick was attached to the backup wall with corrugated ties. There are no continuous brick support angles; the brick is supported only at the lintels and by the continuous bands of terra cotta where they occur. There is a cavity between the brick veneer and the backup wall that varies from approximately 1/2" to 1-1/4" in depth. There are no through-wall flashings, expansion joints, or weep holes and no air barrier, vapor barrier, or insulation at these walls.

Architectural terra cotta is used extensively on the building. The terra cotta is typically white in color, with a matte glaze. The terra cotta on the 1914 building is from the Atlanta Terra Cotta Company. The 1931 addition appears identical in design and manufacture and is almost certainly from the same source.

Terra cotta forms continuous running cornices and water tables, brackets, column shafts, bases, and capitals, architraves, pediments, raking cornices (with acroteria), wall and parapet copings, grilles, door and window trim, window sills, and figurative sculpture. The sculpture includes four larger-than-life-size bas-reliefs at the east entablature and two exquisite caryatids, slightly smaller than life-size, supporting the pediment at the south portico. The ornament utilizes a variety of classical motifs, and is clearly derived from the Greek Ionic orders.

The one exception to the white, monochromatic terra cotta is a round medallion in the gable end of the 1931 addition. This glaze on this medallion is black and gold in color and has a depiction of the scales of justice with a stylized monogram of the architects' initials in a band around the scales.

All of the terra cotta is of highly refined design and of excellent manufacturing quality.

Painted steel brackets support projecting and suspended terra cotta items. The fluted column covers appear to be mortared directly to the concrete structural column. Items that do not project more than 12 inches from the face of the brick appear to be mortared in place only, with no mechanical anchorage. Like the brick veneer, the air space behind the terra cotta is minimal; there are no flashings, expansion joints, or weep holes.

The anchorage system for the brick veneer and terra cotta ornament has failed. The corrugated brick ties and the painted steel lintels and brackets have suffered severe corrosion. The corroding steel has exerted expansive pressure on the veneer and the terra cotta units and these forces, combined with other dynamic forces such as wind loads and building settlement, have resulted in extensive loss of material from the building.

Failure of terra cotta anchorage began to be noted as early as the 1950's. Major loss of material began occurring in 1970, during Hurricane Celia. Brick and terra cotta has continued to fall on a frequent basis since that time.

The brick units themselves are in excellent condition. The mortar is very soft and crumbly, indicative of a mortar with low Portland cement content. The soft mortar has protected the brick from damage. Because the mortar is readily brushed from the brick, we believe that the brick remaining on the building can be easily removed, cleaned, and reinstalled without damage to the brick. It is not known how much brick material has been lost. A large number of bricks are stored in the building. These bricks can also be cleaned and reused.

Assessing the condition of the terra cotta units is somewhat more complicated. First, we must address the condition of the units themselves. Then, we must address the condition of the anchorage system, and the potential for ongoing damage to the units posed by the anchorage.

A moderate percentage of the architectural terra cotta has been lost. Most of the units that remain on the building are in good condition. A small percentage of these are broken or severely cracked, and another small percentage have some minor chipping. The glaze is in fair to good condition, with surface crazing as would typically be seen in glazed terra cotta of this age. Many of the units are stained or discolored by rust-contaminated water. It is unlikely that this can be removed.

Exterior Windows The building contains two principal types of exterior windows. Most of the windows on the Fourth and Fifth Floors are paired casement windows. Most of the windows on the remaining floors are double-hung windows. There are several special windows, such as the round oculus at each of the gabled pediments. Most of the windows are wood framed, with wood sash. A few of the windows in the 1931 addition are metal framed, with metal sash. As part of the 1931 work, some of the wood double hung windows were removed and replaced with metal double hung windows in secured areas.

The frame of the wood double hung windows are anchored to the hollow clay tile backup wall with the faces of the frames set approximately 9" from the face of the brick veneer. A 2" deep brick mold trims the frames to the brick veneer. The exterior wood sills lap over a sloping terra-cotta lug sill. At the interior, a wide flat board, with a small casing trims the windows to the surrounding plaster. The head trim projects beyond the sides of the jamb trim approximately 2". The interior sill is a simple stool with a wide flat board apron and small trim. At locations with wood chair rail, the sill forms the top of the chair rail. The wood sash is typically a single light top sash over a single light bottom sash. Most of the glazing is clear glass, with patterned glass occurring at toilet rooms. None of the sash cords were visible, but the specifications for the 1931 building called for copper chains.

The drawings for the 1931 building show a sheet metal "ventilator", apparently a louvered grill, affixed to the frame inside of the operating sash. None of these were in existence, and we do not know if they were installed.

Each of the wood double hung windows had a wood sash with insect screen affixed to the frame outside of the glazed sash. The screen sash was divided with sticking into a grill pattern of rows of 3 "X" panels over 3 vertical screen panels. The Fourth Floor and Basement windows had 2 rows of "X"es, the Third Floor 3 rows, and the First Floor 4 rows, corresponding to the respective window heights at each floor.

The metal double-hung windows occurred at rooms that were associated with record storage. These windows simulate the wood windows in appearance, but used wire glass in lieu of the typical clear glass. Even the trim of these windows is sheet metal, simulating the appearance of the typical wood trim. Painted steel security bars are affixed to the masonry on the outside of the metal windows. The 1931 documents call for copper wire "Rollscreen" inside of the bars.

The frame of the wood casement windows is anchored to the hollow clay tile backup wall with the face of the frame set approximately 5" from the face of the brick veneer. The brick mold and exterior detailing is similar to that of the double hung windows. The interior trim is a simple narrow board, with a wood stool and apron similar to the double hung windows. Each of the paired wood sashes is typically a single light. Most of the glazing was clear wire glass.

Each of the casements had a wood sash with insect screen, similar to the screen sash design on the double hung windows. Instead of the rows of 3 "X" panels over 3 vertical panels however, the Fourth Floor screen sash has a pattern of 3 rows of 2 "X" panels and the Fifth Floor screen sash had a pattern of 2 rows of 2 "X" panels. The casement windows in the main courtroom (east elevation) had a similar screen sash treatment. All of the Fourth and Fifth Floor casement windows had a security grill of painted steel bars, affixed to the wood window frame. The grilles in the 1914 building were typically flat steel straps. Those in the 1931 addition were round bars.

Double hung windows were typically equipped with double roller shades. None of these were still in existence. It is not known what, if any, coverings were provided at the casement windows.

Overall, the condition of the window frames is good. Despite being left unpainted and exposed to the weather for many years, the frames show almost no rot or loss of integrity. The joinery has opened, and the surface has become weathered, but the wood frames are in remarkably good condition. The anchorage to the clay tile wall and to the structure is in poor condition due to corrosion. The wood species is cypress.

The condition of the glazed sash is, in general, very poor. The majority of the double hung sash is completely missing or heavily damaged, and almost all of the glazing is broken. None of the pulley chains are visible, and most of the other operating hardware is missing. Most of the original casement sash at the Fourth and Fifth Floors has been replaced with inferior quality in-swinging sash glazed with a plastic glazing material. Other casement sash, where it exists, is in poor condition. The wood species of the sashes is cypress.

Almost all of the screened sashes are completely missing. Those remaining are in very poor condition but could be used as models. The "Rollscreen" referred to in the 1931 documents does not exist.

The steel bar security grills are in extremely poor condition. They have severely corroded and, in most cases, caused distress to the adjacent finishes and structure.

Exterior Doors The 1914 building had at least 5 types of exterior doors. The storage areas below the monumental stairs at the north and east sides of the building had wood rail and stile doors, with 2 flat wood panels. The entry door at the caryatid porch on the south side of the building was probably a wood rail and stile door with a flat glass top panel over a flat wood panel. The entry doors at the Basement below both entrance stairs were similar, with a pair of painted wood rail and stile doors with a glazed top panel over a flat wood bottom panel. One set of these doors, at the east basement entrance, remains. The First Floor entrance doors at the north and east wings were similar to the Ground Level doors, except that these doors had an operating wood transom divided into 6 lights.

The exterior trim at all of these doors consisted of a simple brick mold. The interior trim was similar to the typical window trim.

The last type of door at the 1914 building was the jail entrance door on the north side of the west wing. This door was apparently replaced as part of the 1931 work and is now a steel plated security door with a steel grille over a small glass vision panel.

The 1931 wing had a monumental stair on its south side, with an entrance to the Basement below the stair, and a major entrance to the First Floor at the top of the stairs. This staircase and the associated entrance doors have since been removed. The First Floor doors as described in the 1931 drawings, were beautifully detailed bronze doors. Their disposition is unknown.

Most of the doors described above no longer exist. The openings have been infilled with modern doors, such as aluminum storefront, covered with plywood panels, or are simply open. Most of the frames and interior trim for these doors still exists and is in good condition.

Roof Coverings The sloped roofs were originally covered with vitrified-clay tiles from the Ludowici-Celadon Company, red in color. The 1931 specifications refer to the tile as "Imperial Shingle Tile". The sloped roofs transition to a low-slope area at the building perimeter. This area appears to be a coal-tar or modified asphalt roof with a gravel topping. Original flashings, gutters, and downspouts were copper, with the conductor heads and downspouts having decorative treatments.

None of the original tile roof covering now exists. The remnants of several asphaltic membrane roofing systems and the remnants of a polyurethane foam roofing system were observed throughout the sloping concrete deck. The low-slope areas along the perimeter of the building are in poor condition, with a significant amount of vegetation. None of the original copper flashings and gutters remain and most of the copper conductor heads and downspouts have been lost. These appear to have been removed by metal scavengers.

The low-slope roof at the rooftop exercise yard was modified asphalt with a gravel ballast; it now has a very thick asphaltic block paving of unknown composition.

Surprisingly, given the long-term lack of waterproofing, the concrete roof decks appear to be in excellent condition.

3. **Interiors** Interior conditions range from good to extremely poor. Photographs show that as recently as 1990, the courtrooms and major public spaces were in excellent condition. Significant portions of the historic interiors have since been destroyed by exposure to the weather, removal of metals, marble, and other commercially valuable materials by scavengers, and malicious damage by vandals.

Interior Partitions The 1914 building utilizes two different partition construction systems. Most walls are solid plaster over metal lath supported by a framework of painted steel cold rolled channels. These partitions are typically 2-1/2" thick and extend from the top of the floor to the underside of the concrete structure. Wood bucks are installed at doors and windows, and wood grounds are let into the partitions for the attachment of baseboards, chair rails, and door and window trim. Walls at vaults are constructed of hollow clay tile. Plaster is applied directly to the tile, without metal lath.

Some of the partitions in the 1931 addition are 2-1/2" thick, solid plaster partitions supported by a painted steel framework, nearly identical to the partitions in the 1914 building. Most of the partitions at the 1931 addition are hollow gypsum tile, with plaster surface applied. These are 4" thick and 8" thick.

The building has a number of non-original partitions. These are typically wood framed, with gypsum board finish. Some are wood framed, with pre-finished plywood or tempered hardboard paneling. A number of the rooms have wood furring over the original plaster, with gypsum board or pre-finished paneling.

Most of the original interior partitions are in good condition. Where exposed to a water source, such as near plumbing pipes, the metal lath and the steel framing of the solid plaster partitions has corroded. Many of the partitions have been damaged by vandals and by metal scavengers removing copper piping and wiring from the building. Most of the non-original partitions are in poor condition due to vandalism and exposure to moisture.

Interior Doors With the exception of the detention doors at the jail and the vault doors, all of the original interior doors were of rail and stile construction. Most were veneered-wood rail and stile doors, with wood frames. The doors were apparently originally finished with a dark transparent stain. Panel designs varied considerably, with the predominant design being two flat veneered-wood panels. Other panel designs included horizontal louvers, and various configurations of divided and undivided glazing. Glazing was clear, patterned, or wire glass.

A few of the doors in the 1931 addition were hollow metal doors and frames, simulating the appearance of the paneled wood doors. These doors had 2 flat metal panels or, in some cases, the bottom panel was a decorative ventilation grill.

Most interior doors on the First Floor in both the 1914 building and the 1931 addition had operating transoms. In the 1914 building, doors on the Second and Third Floors also had operating transoms. Doors on the Ground, Fourth, and Fifth Floors had no transoms. Transoms were glazed with clear or patterned glass.

Wood doors were trimmed with a simple wide board, surrounded by a small molding, similar to the window trim. Metal doors were trimmed with sheet metal trim, shaped to simulate the wood trim.

Most of the interior doors are in fair condition. Many have lost their panels due to vandalism or exposure. The stiles have been broken on a small number of the wood doors, apparently by vandals seeking access to locked rooms. The metal doors are in good condition; the sheet metal used for these doors is evidently corrosion-resistant.

Most doors have lost their latchsets and knobs, although most still have their ball-tip hinges. Surprisingly, most of the original doors still have the original trim in place. In the case of the wood doors, this trim, and the door frames, are in excellent condition. The trim and frames on the metal doors are in fair condition due to extensive surface corrosion. The metal used for the trim and frames is evidently different than that used for the doors.

Interior Windows The building has a number of interior windows. These are typically paired casements, with the sash containing patterned glass divided by wood sticking into various decorative geometric patterns. Most of these are wood frame, sash, and trim, but a few of the 1931 windows are metal. These are used in record-storage areas.

Interior Wall Finishes Original wall finishes were typically plaster. The courtrooms and corridors were crowned with classically inspired moldings of plaster of paris. Moldings were executed by Hannibal Pianta of San Antonio. The size and design of the moldings varied from room to room.

First and Second Floor corridors and the main courtrooms featured a marble base and chair rail. The central atrium of the First Floor features a marble wainscot. The marble follows the curve of the stairway and forms the base of the iron and wood stair baluster. At one First Floor location, the plaster between the marble base and chair rail has been painted to simulate marble. Several of the courtrooms featured partial height marble walls, bar, and bench.

The marble is believed to be from the Kennesaw Marble Company, Marietta, Georgia.

Most of the marble wainscot is still in place and is in good condition. Fortunately, at this time, none of the curved pieces have been lost. A majority of the courtroom marble has been lost to vandalism.

The plaster of paris moldings are, for the most part, in excellent condition. A few have deteriorated due to exposure to moisture, and a few sections have been lost or broken due to vandalism or loss of adjacent finish materials. Most have lost some of the original fine detail because of the accumulation of paint.

Interior Floor Finishes The majority of floor finishes in the building were concrete, scored in a pattern of squares approximately 3 feet in size. The First Floor corridors of the 1914 building are white ceramic mosaic tile with a Greek key border of green and white tiles. First and Second Floor spaces of the 1931 addition are terrazo, light pink and green in color. Brass divider strips form various geometric designs, including a star at the former entrance vestibule on the First Floor. The Second Floor central atrium portion of the 1914 building, and the stairs from the Second Floor to the Third Floor and from the First Floor to the Basement are terrazo. The stairs from the First Floor to the Second Floor are marble.

Most of the concrete floors, and a small portion of the ceramic tile and terrazo floors, have been covered with resilient tile flooring. The ceramic tile, terrazo, and marble floors, where visible, are in excellent condition.

Interior Ceiling Finishes Nearly all ceiling finishes throughout the building were flat plaster. At service areas, and at the jail, the concrete structure was exposed. Most of the plaster ceilings were directly applied to the bottom of the concrete floor slabs. At the Second Floor courtrooms, ceilings were suspended from the structure. The suspension system consisted of wires with a steel frame and metal lath. At the north and south wings, suspension was from the roof structure; at the east wing, suspension was from the Fourth Floor slab. At the areas of the building with the Kahn Floretyle system, the ceilings were attached to the bottom rib of the metal pan system.

The condition of the flat ceilings is poor. Many have had acoustical tile adhered to them. Some of this material is asbestos-containing. Many other ceilings are damaged from exposure to water from plumbing pipes and the atmosphere, and many have been damaged for installation of mechanical and electrical systems and subsequent repairs and alterations.

Special Interior Items Special items included the cast iron, steel, and wood handrail at the stair atrium, marble and wood courtroom furnishings, and steel and marble transaction counters and cages.

The original cast iron, steel, and wood handrail at the central atrium is still intact and is in fair condition. Metal parts have corroded, but this can be easily cleaned and the steel repainted. The wood is in excellent condition; it requires refinishing.

Marble and wood courtroom furnishings are in poor condition. Most no longer exist due to destruction by vandals.

The marble counters in the former District Clerk's area are still in place, although some of the marble has been lost. The steel cages no longer exist.

4. **Services** All building services are in poor condition and are obsolete. A few items can be considered salvageable for historical interest, as noted below.

Elevators The building contained three elevators. Two were in the central part of the building; the other, for jail access, was in the west wing. Original elevators were furnished by the Otis Elevator Company.

Plumbing Fixtures and Distribution Systems The building had state of the art plumbing systems at the time of construction. The architect proudly described a water filtration system and pressurizing systems in his promotional material.

A few of the original plumbing fixtures exist, but have been damaged by vandals.

Heating, Ventilating and Air Conditioning Systems A central boiler provided steam heat to radiators located throughout the building. Radiators were suspended from the ceiling in some areas. A few of the ceiling and floor-mounted radiators still exist, in fair condition. It may be appropriate to restore selected examples of the radiators for historical interest.

Air conditioning was added in the form of window units in the 1950s. Air conditioning was provided to the District courtrooms in 1957. In 1958, central air conditioning and forced air heating was provided to most of the rest of the building. Detention areas of the jail were not conditioned.

Fire Alarm and Protection Systems There is no evidence of a fire alarm system in the building. There are remnants of a wet standpipe system, with vertical risers and hanging brackets for canvas fire hoses. It is not known when this was installed.

Electrical Service and Distribution Electrical service was provided to the building at the time of its construction. A few of the original push button style light switches still exist.

The building also had an interoffice communication system, known as an "Interphone". None of this system was in evidence.

Lighting Historical documents indicate that the 1914 fixtures were supplied by the St. Louis Brass Manufacturing Co. with "Alberye" diffusing glass from L. Plaut & Co. of New York. Decorative pole mounted lights were located on the monumental stairs at the north and east sides of the building.

Most of the original light fixtures in the building have been replaced. A few fixtures that may be original to the 1914 and 1931 construction were observed. These should be evaluated by an architectural historian with knowledge of historic lighting to determine if restoration is appropriate. All of the exterior lighting is gone.

B. Master Plan Proposal

The master plan identified three broad priorities. They are, in order of urgency:

1. Stabilize and protect the building from further deterioration
2. Provide a safe environment for further investigation, design, and construction
3. Commence rehabilitation of the building

C. Project Development

The following changes to the original project proposal were made:

1. Additional survey, removal and salvage of unstable brick veneer and terra cotta, from East Wing and West Wing
2. Take down unstable/loose portions of the backup SCT wall, and rebuild using either SCT where possible, or CMU as needed on portions of the South Wing.
3. Remove portions of the backup wall to access the structural frame for repairs and rebuild after completion of repairs.
4. Additional repairs to the concrete structural frame at the South Wing.
5. Fewer terra cotta units had to be replaced; more units were cleaned and repaired for reuse.
6. The concrete roof deck was thought to extend to the pediment edges at the south and east faces of the South Wing. When veneer was removed, a deteriorated steel armature with concrete fill was discovered. The existing armature was removed and a new stainless steel support system was installed..
7. At the base of the building, it was discovered that no support was built into the concrete foundation for the veneer wall. A concrete "lug" was designed and constructed to accommodate the veneer wall construction.
8. Additional windows were found to be in such condition that the frame, sash and trim could be rehabilitated. The windows on the first floor that were covered and assumed to be missing were found in reasonably good condition.
9. Unsound plaster ceilings that were falling were removed at the 3rd floor courtroom ceilings at the North and South wing.
10. Additional repairs to the concrete roof deck at the South Wing were needed.

11. Installation and painting of the rehabilitated and new window trim was deferred in this project as many rooms in the South wing had lost the plaster finish. The rehabilitated trim has been stored for future installation.
12. The material of the new (not-historic) exit door at the east façade of the South Wing was changed from wood to metal for durability. The historic stile and rail design of the door was kept.

D. Work Completed

The work performed consisted of:

1. Prepare building and site for rehabilitation operations
 - a. Repair and supplement existing fencing and gates
 - b. Provide electrical and water service to building
 - c. Clean site of debris, stockpile fallen materials
2. Stabilize brick and terra cotta masonry
 - a. Remove and store items that are in imminent danger of falling
 - b. Stabilize edges of remaining "panels" of masonry by installing sheet metal closure trim to restrain edges
3. Protect exterior openings
 - a. Install plywood panels at all windows and doors (except South Wing- see below).
4. Install temporary drainage control
 - a. Install temporary PVC downspouts.
 - b. Partially grade site and install catch basins and storm-water piping.
5. Clean vegetation and debris from roofs and paint roofs (except South Wing- see below).
6. Provide temporary intrusion / fire detection and alarm system
7. Remove asbestos-containing materials at selected areas:
 - a. Expansion joint between 1915 and 1931 structures, at roof.
 - b. South Wing basement level, 2nd floor, 3rd floor, attic, and roof.
 - c. Boiler room at basement.
8. Patch and repair interior concrete columns at South Wing basement level.
9. Rehabilitate building envelope and perform associated exterior structural repairs at South wing:
 - a. Remove all exterior masonry veneer (brick and terra cotta) and roofing and clean, repair, or replace in kind.

- b. Patch and repair concrete superstructure (columns, beams, floor and roof slabs)
- c. Install fiberglass structural reinforcement at structural clay tile backup wall.
- d. Install temporary roofing system (to serve as underlayment for future clay tile roofing)
- e. Reinstall masonry veneer using stainless steel supports and ties.
- f. Repair existing wood window frames in situ. Repair or replace with new sash to match original all window sash. Replace damaged sheet metal window frames and sash.
- g. Prime and paint all wood windows. Provide new window hardware.
- h. Provide new wood exterior doors and hardware.
- i. Remove addition at south side of west wing and remove foundation of 1961 Annex Building at northeast corner of courthouse.

Special care was taken in the reproduction of lost and damaged terra cotta elements. A complete survey was made of all of the terra cotta on the south wing. Only those items that could not be repaired or reused were reproduced. Several unique sculptural items were reproduced, using a combination of historic photographs, fragments of original items, and artistic interpretation by the craftsmen.

One of the more unique construction processes was the reinforcement and waterproofing of the structural clay tile backup walls. Structural analysis of the building indicated that, while the concrete frame design was structurally sound, the wall panels within the frame did not meet current lateral (windstorm) load resistance requirements. This posed a problem due to the extremely small air cavity between the back of the masonry veneer and the face of the structural clay tile backup wall and the concrete frame. This cavity varied in thickness from less than ½ inch to over 5 inches in depth. Several systems were analyzed, including sheet metal panels and pneumatically placed concrete over stainless steel wire mesh. The method used was a layer of fiberglass cloth laminated to the entire surface of the backup wall. In addition to providing structural reinforcement to the wall in a very narrow space, this system also provided a moisture barrier, eliminating the need for another product to be introduced into the wall system.

One of the causes of failure of the masonry veneer system was the use of mild steel for brick ties and terra cotta support items. The project utilized stainless steel for all terra cotta and brick anchors.

E. Future Work Required

The 1915/1931 Nueces County Courthouse will require the following work. (Work noted at exterior building shell, except for roofing and drainage system, does not apply to the South Wing):

1. Remove remaining veneer.
2. Perform repairs to the concrete frame at the exterior of the building.
3. Stabilize and waterproof the clay tile backup wall.
4. Rehabilitate the brick and terra cotta veneer system.
5. Rehabilitate/reconstruct the exterior windows and doors.
6. Reconstruct the permanent clay tile roofing.

7. Reconstruct the permanent roof drainage system.
8. Reconstruct the 1931 west wing entrance.
9. Perform structural repairs to the concrete frame at the interior of the building.
10. Complete the removal of asbestos-containing materials throughout the building.
11. Complete the abatement of lead-based paint throughout the building.
12. Complete the demolition of inappropriate interior alterations, failed ceiling and wall systems, and nonessential items inconsistent with new building uses.
13. Rehabilitate essential character-defining interior spaces and features.
14. Install mechanical, electrical, and plumbing systems.
15. Install new vertical transportation systems.
16. Install new egress stairs.
17. Construct new functional spaces for building users.
18. Rehabilitate the site and landscaping.

South Texas Exploratorium

Project Plan

The historic Nueces County Courthouse will provide a home for the South Texas Exploratorium, a hands-on, interactive, “edu-tainment” facility designed as a fun, experiential learning environment. The building will also house a visitor welcome center, classrooms and labs for a higher education institution, and a courtroom space for use by the Commissioners Court of Nueces County.

Funding for the project will be through public and private grants, major gifts, grass-roots fundraising, and tax-credit investment. Depending on the success of this grant application to the Texas Historic Courthouse Preservation Program, and other potential grant sources, the total capital campaign for the complete building rehabilitation will be \$4.5 million. The capital campaign for the museum exhibits, operating capital, and an operating endowment adds an additional \$4.7 million.

The South Texas Exploratorium is projected to open Memorial Day, 2008. (Please refer to the schedule on the following page.)

▪ Exploratorium Goals:

1. Provide a dynamic, exciting, hands-on learning environment for people of all ages so that:
 - more young people are motivated to stay in school
 - scientific and technical literacy are improved in the community
 - more people are aware of, and value, the natural environment in which we live
2. Provide an additional educational and entertainment ("edu-tainment") attraction to:
 - contribute to the development of the Coastal Bend's visitor industry
 - add to the array of civic amenities that are so important to a good quality of life

▪ Historic Nueces County Courthouse Restoration Goals:

1. Bring back to public use one of the most significant historic buildings in the community
2. Create an historic preservation success story to advance preservation of more of our scarce historic buildings and resources in South Texas

▪ Community Development Goals:

1. Leverage local dollars to return already-appropriated tax dollars to our community
2. Attract corporate, individual, and foundation dollars from outside our community with a compelling project
3. Provide direct construction jobs and provide jobs and activities for youths through the Exploratorium docent program

2003												2004												2005												2006												2007												2008											
J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Phase 1 - South Wing exterior rehabilitation, selective demolition																																																																							
Architecture/Engineering																																																																							
Construction																																																																							
Phase 2 - Complete exterior rehabilitation																																																																							
Architecture/Engineering																																																																							
Construction																																																																							
Phase 3 - Interior, MEP systems, sitework																																																																							
Architecture/Engineering																																																																							
Construction																																																																							
Museum exhibits																																																																							
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Museum fixtures, furnishings, equipment																																																																							
Design & Ordering																																																																							
Installation																																																																							

Work to be funded with Tx
Historic Courthouse
Program Round 4 grant

Remove Masonry Veneer

Museum open by
Memorial Day, 2008

Ownership and Leasing Structure

The final ownership and leasing structure is in the process of being finalized. However, in order for the project to be eligible for tax credit investment the property must be leased to a for-profit entity. In simple terms (the actual number and type of intermediate entities will be determined in the next few weeks), Nueces County will continue to own the building and ground. It will master lease the building and ground to a for-profit entity for a period not less than 39 years. This entity, in turn, will lease all or part of the building and ground to the 501(c)3 Exploratorium entity.

Nueces County will control stewardship of the historic resources through its lease and, of course, the property will have a preservation easement in place to provide additional protection.

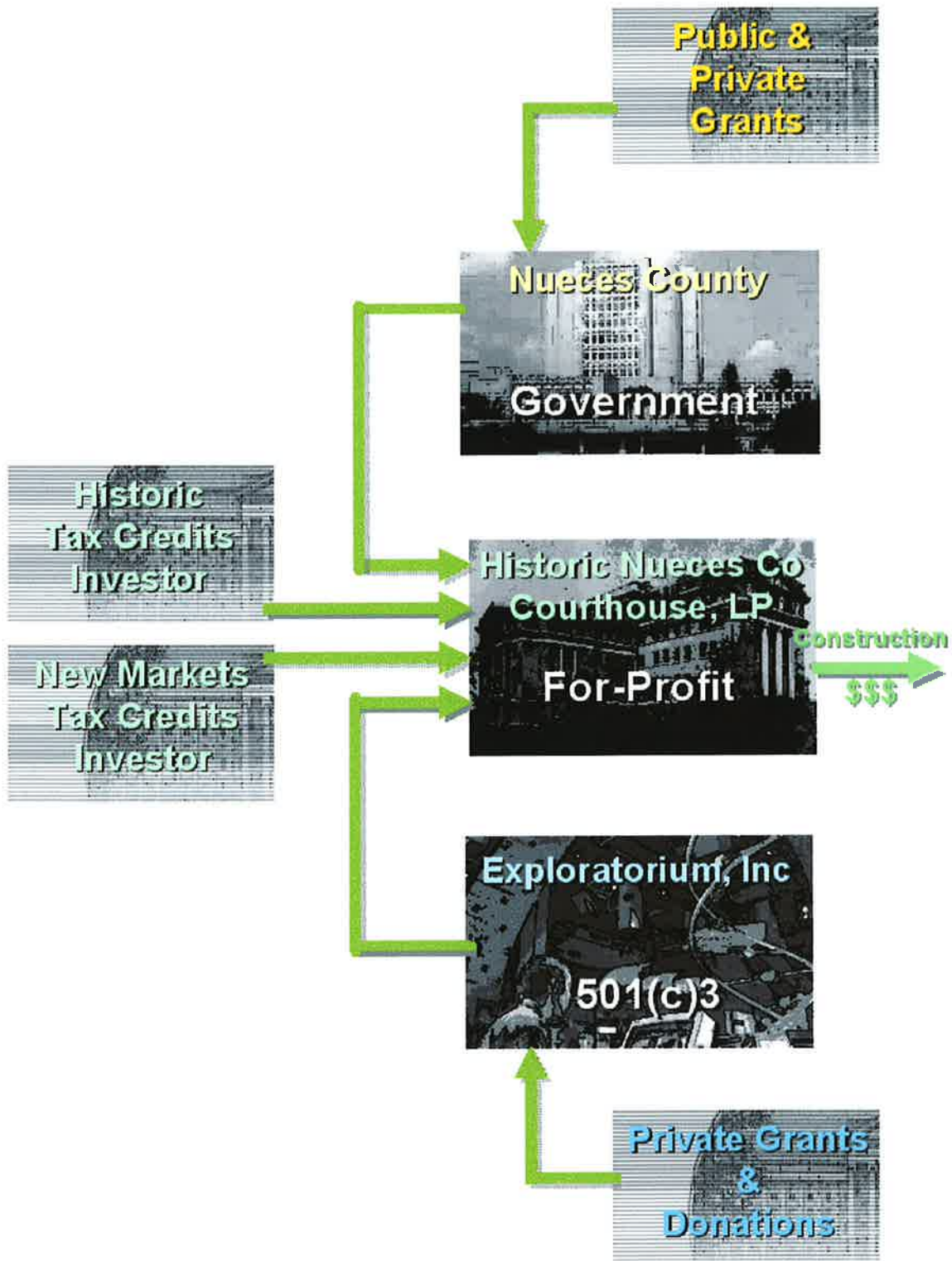
Funding plan

The project will be funded through public and private grants, major gifts, grass-roots fundraising, and tax-credit investment. Public grants, including a total of \$4 million from the Texas Historic Courthouse Preservation Program, are expected to bring \$12.2 million to the project. A \$9.5 million capital campaign will be conducted. Investment incentives from Historic Preservation Tax Credits and New Markets Tax Credits are expected to bring at least \$13.7 million in equity to the project.

Nueces County has retained the National Development Council (NDC) to assist it with structuring the financing for the project. The NDC has been instrumental in financing several significant publicly-owned buildings through tax credit investment. The NDC and Nueces County legal and auditing staffs are actively working to set up the necessary ownership and lease structure, partnership agreements, and leases, and NDC is seeking investor equity. NDC may provide equity investment through its own subsidiary (see attached letter). NDC staff, project architects, and Nueces County representatives met recently with THC staff and THC counsel to explain the tax-credit financing strategy and requirements.

The diagram on the following page shows a the project funding sources and uses in a conceptual form.





Historic Preservation Tax Credits

The Federal Historic Preservation Tax Incentives program is one of the most successful and cost-effective community revitalization programs in the nation. This 27-year old program provides investors with credits against federal income tax in return for new investments in eligible historic rehabilitation projects. The program fosters rehabilitation of historic buildings and promotes economic revitalization.

Jointly managed by the National Park Service and the Internal Revenue Service in partnership with State Historic Preservation Offices (in Texas, the Texas Historical Commission), the Historic Preservation Tax Incentives program rewards investment in rehabilitating historic buildings. The Federal Historic Preservation Tax Incentives are available for buildings that are listed in the National Register of Historic Places. Properties must be income-producing and must be rehabilitated according to historic preservation standards set by the Secretary of the Interior.

Since 1976, more than 27,000 historic properties have been rehabilitated and saved and the tax incentives have stimulated private investments of over \$18 billion

The credits are available to any for-profit entity, and are not limited or allocated on any aggregate, regional or other basis. On an individual qualified rehabilitation project, the available tax credit amounts to 20% of qualified rehabilitation costs. Through proper lease structuring, the Historic Preservation Tax Credits are expected to yield approximately \$6.2 million in investment for the historic Nueces County Courthouse rehabilitation project.

New Markets Tax Credits

The New Markets Tax Credit program is a federal tax initiative designed to increase the amount of investment capital in low-income communities. This new \$15 billion program provides investors with credits against federal income tax in return for new investments in eligible businesses. It is a flexible tool that can be applied to a wide range of qualified business activities, from small business lending to financial counseling to real estate development.

New Markets Tax Credits are administered by the US Department of the Treasury. Unlike the Historic Preservation Tax Credit program, New Markets Tax Credits are allocated through a competitive process only to certain qualified entities known as Community Development Entities (CDEs). CDEs are corporations or partnerships that meet eligibility requirements and have been certified by the US Department of the Treasury. The program is limited to \$15 billion of investments, and will be allocated annually between 2002 and 2007. The 2002 round of allocations has occurred, with \$2.5 billion in credits allocated to 66 CDEs. The 2003 round of allocations will allocate an additional \$3.5 billion in credits.

New Markets Tax Credits are intended to spur the investment of new capital into CDEs, which in turn must use this capital to provide debt and/or equity financing to support qualified investments in low-income communities. Certain areas of Corpus Christi, including the location of the historic Nueces County Courthouse, qualify for New Markets Tax Credit investment.

Through proper lease structuring, the Exploratorium project will be eligible for New Markets Tax Credit investment. Up to 39% of the cost of the project (including sitework, the museum exhibits, and other capital costs) may be claimed as a tax credit. For the Exploratorium project, the New Markets Tax Credits are expected to yield at least \$7.5 million in investment. \$6.7 million of these dollars will be applied directly to the rehabilitation of the building.

Tax Credit Investment Market Pricing

Tax credit investment is projected to pay between 37% and 49% of the total cost of this project. Its importance to the success of the project cannot be overstated. In order to take advantage of this important source of equity to use for rehabilitation, Nueces County is expending a considerable amount of time and money to structure the project properly.

One significant consideration in this type of project is the market pricing of these credits. Historically, for Historic Preservation Tax Credit projects of this size, we should expect at least \$.90 per dollar of credit from the private investor. New Markets Tax Credits are new, and the market for these credits reflects the unfamiliarity of investors with this program. The first projects using the New Markets Tax Credits were syndicated in early 2004, and the market was, as expected, around \$.50 per dollar. This corresponds with the early days of other tax-credit programs. Those programs soon found the market valuing the credits at around \$.80 per dollar. It is thus expected to be to our advantage to seek New Markets Tax Credit investment later in the project rather than at the beginning. This could make a difference of approximately \$5 million in additional equity to the project.

It is critical, therefore, that funding from other sources be utilized first, so that the tax credit financing can provide the maximum benefit.

Public Grants

The project will pursue grants from several existing programs, including the Texas Historic Courthouse Preservation Program and the Statewide Transportation Enhancement Program. In addition, Nueces County is seeking an Economic Development Initiative appropriation through the US Congress, and a state Economic Development Assistance Grant through Governor Perry's office. The Exploratorium is in the process of creating a partnership with one of the university systems and this partnership is expected to yield a significant contribution from this partner. Other public grants will be pursued. Project planners are confident that the proposed use addresses a critical need for educational attainment in the community and will make the project attractive for foundations and agencies to support. Total public grants are expected to be at least \$12.2 million.

Capital Campaign

The Exploratorium board will take primary responsibility for the capital campaign. This board, newly formed, is comprised of deans and faculty of science and business departments at Texas A&M University Corpus Christi, Texas A&M University Kingsville, and Del Mar College, and business and community leaders. All of the board members are experienced with raising money for their respective academic programs or for non-profit organizations. In addition, the Exploratorium board has identified and will retain a professional fundraiser to conduct a professional, comprehensive capital campaign. The project development budget contains \$960,000 for fundraising services and expenses. (Note that no THC funds will be used for this purpose.) The capital campaign will raise approximately \$4.5 million for the building rehabilitation, and \$4.7 million for the museum exhibits, furniture, and operating capital.

Sources and Uses of Funds for Building

SOURCES OF FUNDS

Entity	From Program / Source	Amount	Subtotal	Percent of Total
Private Investor	Historic Tax Credit Program	\$ 6,178,020		
Private Investor	New Markets Tax Credit Program	\$ 6,809,855		
			\$ 12,987,876	37.19%
Texas Historical Commission	Tx Courthouse Program	\$ 4,000,000		
Other Public Grants	EDI, EDA, STEP, Other	\$ 8,200,000		
			\$ 12,200,000	34.93%
Developer Entity	Deferred Development Fee	\$ 5,045,589		
			\$ 5,045,589	14.45%
Capital Campaign				
Raised to Date	Charitable donations	\$ 138,500		
To Be Raised	Various sources: grants & gifts	\$ 4,550,370		
			\$ 4,688,870	13.43%
	Total Sources		\$ 34,922,335	100.00%

USES OF FUNDS

Use	Amount		
A&E Services	\$ 3,651,446		10.46%
Construction	\$ 25,450,500		72.88%
Development Fee	\$ 5,820,389		16.67%
Total Uses		\$ 34,922,335	100.00%

Development Costs

A development fee will be charged as allowed by IRS rules. This fee is capitalized and included in the basis for the tax-credit investment. After paying actual development costs, the balance of this fee is returned to the project as “deferred development fees”.

Actual development expenses for the building rehabilitation include:

Grant applications - preparation and support	\$ 124,800
Tax Credit financing consulting	\$ 120,000
Fundraising for construction	\$ 480,000
Legal, accounting, other expenses	\$ 50,000
	\$ 774,800

Note: No THC funds will be used for these purposes.

Assumptions for Sources and Uses of Funds for Building:

- Development fee is 20% of project capital expenses.
- Historic Preservation Tax Credit investment at \$.90 per dollar of credit, applied to 20% of qualified expenses.
- New Markets Tax Credit investment at \$.50 per dollar of credit, applied to 39% of qualified expenses.

Sources and Uses of Funds for Museum

SOURCES OF FUNDS

Entity	From Program / Source	Amount	Subtotal	Percent of Total
Developer Entity	Deferred Development Fees	\$ 190,000		
			\$ 190,000	3.35%
Private Investor	New Markets Tax Credit Program	\$ 783,900		
			\$ 783,900	13.80%
Capital Campaign	Various sources: grants & gifts	\$ 4,706,100		
			\$ 4,706,100	82.85%
	Total Sources		\$ 5,680,000	100.00%

USES OF FUNDS

Type	Use	Amount		
Museum Development	Development			
	Development Fee	\$ 670,000		
			\$ 670,000	11.80%
Museum FF&E	Fixtures, Furniture & Equipment			
	FF&E Specification and Purchase	\$ 250,000		
			\$ 250,000	4.40%
Museum Exhibits	Permanent Exhibits			
	Exhibit fabrication & installation	\$ 3,100,000		
			\$ 3,100,000	54.58%
Operating	Operating capital & endowment			
	Operating funds- pre-opening	\$ 300,000		
	Operating funds- post-opening	\$ 300,000		
	Traveling exhibits lease- 3 months	\$ 60,000		
	Operating endowment	\$ 1,000,000		
			\$ 1,660,000	29.23%
	Total Uses		\$ 5,680,000	100.00%

Development Costs

A development fee will be charged as allowed by IRS rules. This fee is capitalized and included in the basis for the tax-credit investment. After paying actual development costs, the balance of this fee is returned to the project as “deferred development fees”.

Actual development expenses include:

Fundraising for Museum A&E and construction	\$ 480,000
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Note: No THC funds will be used for these purposes.

Assumptions for Sources and Uses of Funds for Museum:

- Development fee is 20% of project capital expenses.
- Historic Preservation Tax Credit investment at \$.90 per dollar of credit, applied to 20% of qualified expenses.
- New Markets Tax Credit investment at \$.50 per dollar of credit, applied to 39% of qualified expenses.

South Texas Exploratorium

An educated, skilled workforce is the foundation for a healthy economy in a competitive global market.

According to Texas Challenged (a.k.a. the Murdock Report), South Texas is in for increasing economic trouble if we don't encourage our youth to stay in school. If the educational attainment level remains low in South Texas and the Coastal Bend, we will face the future with a less and less competitive workforce.

We are all very proud of the continuing advancements of Del Mar College, Texas A&M Corpus Christi and Texas A&M Kingsville but we need to reach these students at younger ages and impress upon them that learning is cool!



Pacific Science and Tech. Center
Seattle, Washington

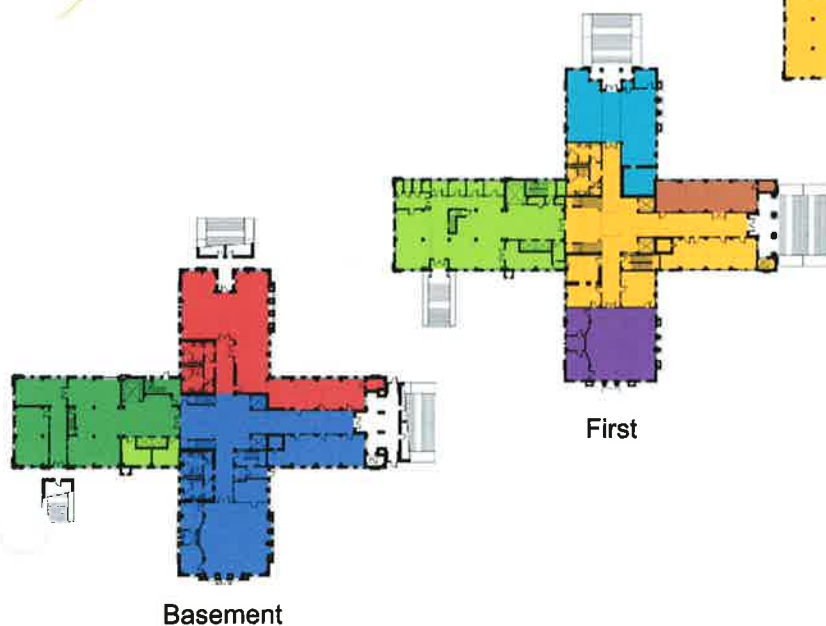


Pacific Science and Tech. Center
Seattle, Washington

Three-dimensional exhibits within the museum will offer experiential learning within several broad subject areas. Exhibits could include light, color, sound and music, motion, animal behavior, electricity, heat and temperature, language patterns, hearing, touch, vision, waves and resonance, and weather.

Education!

Entertainment!



- Exhibits
- Offices
- Theater
- Storage
- Cafe
- Classrooms
- Visitor Welcome Center
- Gift Shop

Brochure made possible
by the National Trust for
Historic Preservation.

**Building area
78,000 S.F.**

Partnerships with Del Mar College, Texas A&M University Corpus Christi and Kingsville and the local school districts would create the synergy that is needed to make this a reality. As with other successful science and technology edutainment centers across the nation, college students would act as docents and developers of the exhibits.



Pacific Science and Tech. Center
Seattle, Washington



Port of Seattle Museum

A "hands on" museum of science, environment, and technology, The South Texas Exploratorium will be a wonderful example of a high tech, state of the art facility in a restored historic landmark. An edutainment facility similar to others scattered across the country, such as the Exploratorium in San Francisco, the Tech Museum in San Jose, the Pacific Center in Seattle, will fit nicely in the Historic Nueces County Courthouse.

Through The South Texas Exploratorium, our youth will be introduced to the excitement of learning. This excitement will encourage more children to stay in school and contribute to the community in a positive way. The impact on the education and skills level in our region will be enormous. Look up the Exploratorium on the Internet (exploratorium.edu.) and see how this would be an important addition to South Texas.

Downtown Corpus Christi (TIRZ #3)

Development Incentives Program Guide

The City of Corpus Christi created Tax Increment Reinvestment Zone #3 in 2008, in order to assist in the redevelopment of the City’s greater downtown area. Authorized by Chapter 311 of the Texas Tax Code, this tool allows governments to designate a portion of tax increment to finance improvements to promote development of a defined area, called a “Reinvestment Zone.”

Using development cost data and market demand data, the City and the Downtown Management District worked together to develop four incentive programs to drive new investment within the Zone. The purpose of these programs is to activate vacant buildings and increase housing supply, within the next three years.

PROGRAM	INCENTIVE	QUALIFICATION	AVAILABILITY
New Commercial Tenant Finish-Out Grant Program	\$10 per sq./ft. Reimbursement	<ul style="list-style-type: none">• Dining, Entertainment, or Mixed Use Development• 1st Floor, Active Street Location• Wall & Floor Finishing• Permanent Fixtures	\$100,000, Annually
Chaparral Street Property Improvement Grant Program	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	\$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	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

Each project will be evaluated by the TIRZ #3 Task Force, based on alignment with the City’s priorities for revitalization and well-designed urban developments. Incentives will be structured as a reimbursement, after completion of the project based on the agreed upon timeline.

If you are interested in these programs, contact the City’s Business Liaison to arrange a **Concept Meeting**. Once you are familiar with the programs, submitting a completed **TIRZ #3 Application** will trigger an **Early Assistance Meeting**, where your project will be reviewed by our Development Services staff. Upon completion of an **Approved Set of Plans** and **Finalized Application Documents**, a **Reimbursement Agreement** will be drafted.



PRESERVATION TAX INCENTIVES

The Federal Historic Preservation Tax Incentives program includes a 20% income tax credit for the rehabilitation of historic, income-producing buildings and a 10% income tax credit for rehabilitation of non-historic buildings. Recently, the Texas Legislature established a state tax credit for the rehabilitation of historic buildings. Each year, an average of over \$85 million is reinvested in the Texas economy from participation in the federal program and we expect an even greater impact once the state credit is available.



The 1910 building that once housed the Dallas Coffin Company has been rehabilitated into the Nylo Southside Boutique Hotel.

Texas Historic Preservation Tax Credit Program

During the 83rd legislative session, the Texas Legislature passed House Bill 500, which establishes a state tax credit for the certified rehabilitation of certified historic structures. This incentive requires that work to a historic property meet the Secretary of the Interior's Standards for Rehabilitation (Standards) to qualify for the credit. Certified historic structures can include properties that are currently listed in the National Register of Historic Places, either individually or as part of a historic district, or designated as Recorded Texas Historic Landmarks, or State Antiquities Landmarks. The credit is worth 25% of the eligible rehabilitation costs for the project which must be at least \$5,000 in value to qualify. In the absence of a state income tax, the credit is applied against a business's franchise tax liability. It is anticipated that many projects will seek to pair this tax credit with the federal 20% tax credit for rehabilitation (see below).

The Texas Historic Preservation Tax Credit Program became effective January 1, 2015 for properties placed in service on or after September 1, 2013. Administrative rules for implementation of the Texas Historic Preservation Tax Credit Program have been adopted as Sections 13.1–13.8 of Chapter 13 (Title 13, Part II of the Texas Administrative Code).

Federal Historic Preservation Tax Incentives

A 20% federal income tax credit is available for the rehabilitation of historic, income-producing buildings that are listed in or determined eligible for listing in the National Register of Historic Places. Established in 1976, the federal rehabilitation tax credit program is administered in Texas by the National Park Service (NPS) in partnership with the Internal Revenue Service (IRS) and the Texas Historical Commission (THC). As the State Historic Preservation Office for Texas, the THC works in conjunction with the NPS to review proposed work to ensure it complies with the Standards.

Eligible Buildings and Costs for the Federal Credit

- **The building must be listed individually in the National Register of Historic Places, contributing to the significance of a historic district, or determined to be eligible for listing in the National Register.** A building determined eligible for National Register listing does not need to be officially listed at the time the tax credit is claimed but must be listed within 30 months of claiming the credit.
- **Only buildings qualify for the tax credit.** Structures such as bridges, ships, railroad cars, grain silos, and dams are not eligible for the credit.

- **The building must be income-producing.** For example, it may be used as a hotel or for offices; commercial, industrial, or agricultural purposes; or for rental housing. Owner-occupied residential properties are not eligible for the credit.
- **The work to the building must be a substantial rehabilitation** and not a small remodeling project. In general, the rehabilitation costs must exceed the greater of \$5,000 or the adjusted basis of the building. The adjusted basis is the purchase price, minus the cost of the land, plus improvements already made, minus depreciation already taken.
- **The work undertaken as part of the project must meet the Standards for Rehabilitation.** The entire project is reviewed, including related demolition and new construction, and is certified, or approved, only if the overall rehabilitation project is determined to meet the Standards.
- **Most rehabilitation costs qualify for the credits,** such as structural work, building repairs, electrical, plumbing, heating and air conditioning, roof work, and painting. Architectural and engineering fees, site survey fees, legal expenses, development fees, and other construction-related costs are also qualified expenditures if such costs are reasonable and added to the property basis. Some costs are not eligible for the credit, such as property acquisition, new additions, furniture, parking lots, sidewalks, and landscaping.
- **The building must be placed in service (returned to use) after the rehabilitation.** The tax credit is generally allowed in the taxable year that the rehabilitated property is placed in service.

Eligible Buildings and Costs for the State Credit, in Addition to the Qualifications Listed Above:

- The building must be listed in the National Register of Historic Places, either individually, or as part of a historic district, or designated as Recorded Texas Historic Landmark or State Antiquities Landmark at the time the credit is taken, that is, when taxes are filed for work completed in the previous year.
- The qualified rehabilitation costs must exceed \$5,000 for any single application. Applications may be submitted in consecutive years for new projects.
- Buildings with a nonprofit use, as well as buildings with a for-profit use, can qualify for the state credit.
- Documentation of the Placed in Service Date (project completion date) must be provided by means of a Certificate of Occupancy, or an architect's Certificate of Substantial Completion.

The Application Process

Applications for Federal and state tax credits may be submitted simultaneously or separately if the applicant's intention is to apply for one of the credits, but not for the other. An application for the tax credits must be submitted before the project is completed, although work may begin prior to the application or approval. Ideally, the application should be submitted during the planning stages of the work so the owner can receive the necessary guidance to ensure that the project meets the Standards for Rehabilitation and therefore may qualify for the credits. The application process consists of three parts:

Part 1 or A of the application, the Evaluation of Significance, determines if the building already has a historic designation or if the property is eligible for the National Register or contributes to the significance of a National Register historic district.

Part 2 or B of the application, the Description of Rehabilitation, describes the existing condition of the building and the proposed work. Photographs are required showing the major character-defining features of the building prior to the start of work.

Part 3 or C of the application, the Request for Certification of Completed Work, is submitted upon completion of the work and documents that the work was completed as proposed and in keeping with any conditions required at the review of Part 2/B of the application. Once the NPS (federal credit) or THC (state credit) certifies that the completed work meets the Standards and approves Part 3/C of the application, the project is a "certified rehabilitation" and qualifies for tax credits.

Please note that THC staff cannot give tax advice. Consult a tax advisor regarding the IRS regulations or Texas franchise tax rules and their implications for your particular tax situation.

For More Information

Visit www.thc.state.tx.us for more information about the federal and state rehabilitation tax credit programs.



TEXAS HISTORICAL COMMISSION
real places telling real stories

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