

**EMR Facility
Redevelopment Plan
Ingleside, TX**

NOVEMBER 2008

Prepared for:

Ingleside Local Redevelopment Authority

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I. EXECUTIVE SUMMARY

The 2005 BRAC¹ round of military base closures and realignments included the 912-acre Naval Station Ingleside (NSI) plus a 155-acre parcel known as the Electromagnetic Reduction (EMR) Facility, located approximately 1½ miles from the main base in the City of Ingleside. When the Navy closes the facility in 2010, ownership of the main NSI property will revert back to the Port of Corpus Christi Authority (PCCA). The EMR Facility is subject to current BRAC surplus property procedures that require a Local Redevelopment Authority (LRA) to develop a plan for the reuse of the site. The Ingleside LRA, which includes representatives from the Cities of Ingleside and Corpus Christi and from the Counties of San Patricio and Nueces, was formed in 2007 to oversee the creation of the redevelopment plan for the EMR Facility. The primary goal of the LRA is to create new jobs to help replace the 6,600 jobs that will be lost due to the BRAC actions in the region.

Located approximately 20 miles northeast of Corpus Christi, the EMR Facility includes 105 acres of submerged land, 45 acres of upland area, and a 4-acre easement and right-of-way to highway FM1069. The site, acquired and developed in 1997, contains an enclave of 3 concrete buildings totaling 3,378 square feet, along with an 800 foot long wooden pier on concrete piles extending out into the bay and connected to a U-shaped pier system containing a large metal “cage” used by the Navy to calibrate and service Mine Warfare ships. The property is located in a mostly industrial area adjacent to Kiewit Offshore Services (large-scale marine fabrication business) and the La Quinta and Jewell Fulton navigation channels. The site is fully serviced with all utilities. As of September 30, 2008, the Navy ceased operations at the EMR Facility and has placed the property in caretaker status. Also included with the real property is a small amount of personal property consisting of office and shop furniture, fixtures and equipment.

The EMR Facility is located in the City of Ingleside’s Extra Territorial Jurisdiction area, and as such, does not fall within a zoning description, but is subject to the general recommendations found in the City’s master plan. The property, along with others, is being considered for annexation by the City in the near future.

Naval Station Ingleside and the EMR Facility was the subject of a Final Environment Condition of Property Report dated May 2007, that found no evidence of environmental conditions that would prevent or limit conveyance of the EMR Facility. Prior to transfer, the Navy must complete additional environmental studies to ensure that the site is clean.

An analysis of current market conditions in the Corpus Christi region found that overall growth has been slow, but relatively steady over the past several years. The demand for waterfront industrial land is intermittent, focused on large heavy industrial uses, bulk commodities and petro-chemical industry requirements. There is a large supply of waterfront industrial land, much of which is controlled by the PCCA and includes deep-draft vessel

¹ 1990 Defense Base Closure and Realignment Act (Public Law 101-510, as amended)

access to the ocean. Most other waterfront land in the region is in residential use or undeveloped.

BRAC regulations require the LRA to undertake a public outreach process, with a particular focus on organizations serving the needs of the local homeless community. The Ingleside LRA held several public hearings and meetings, and proactively reached out to homeless service providers through the regional Continuum of Care to provide detailed information about the property and the BRAC process. No Notices of Interest were received from homeless service providers, or from other state and local agencies regarding possible use of the property. The LRA will submit this reuse plan as part of a Homeless Submission document to the federal Department of Housing and Urban Development for that agency's required approval.

The analysis of the EMR site's physical location and condition, along with market conditions in the region and input from the public, led to the development of four alternative redevelopment scenarios for the property, which were then analyzed in greater detail. These included:

- Public Open Space and Recreation
- Single User Industrial/Commercial
- Multi-user Marine-Related Business Park
- Recreational Marina and Multi-user Commercial Business Park

The alternatives were evaluated based on a variety of criteria including economic impact and financial feasibility. The first two alternatives were quickly discarded due to the lack of substantial job creation and, in the case of the first alternative, the lack of public financial capacity to redevelop and operate the site. The remaining two alternatives were then combined into a Preferred Plan, which calls for utilizing the existing pier system and a portion of the adjacent upland area for a commercial and recreational marina that supports the creation of a marine-related business park. The property's existing infrastructure is capable of supporting this reuse.

Under the Preferred Plan, the waterfront area (approximately 8-10 acres) and pier structure will be utilized for commercial applications including a public marina and related activities. The remainder of the property will be developed as a multi-user business park that emphasizes, but does not necessarily restrict, marine-related light industrial and service uses such as boat building and repair, marine electronics, marine transportation and administrative services, design and engineering services and other uses that benefit from the proximity to and access to the water. Other desirable uses include research and development, particularly those involving maritime uses or renewable energy, as well as educational uses that serve the needs of on-site businesses and other local industries. The plan envisions that the upland portion of the EMR site will be subdivided into individual lots ranging in size from approximately 1 to 10 acres for either sale or lease and targeted toward end users as well as developers/investors. One or more lots may be developed for multi-tenant buildings, perhaps with flexible space that can accommodate smaller users requiring high-bay shop or fabrication facilities as well as office and sales areas. Areas nearest the shore and pier will be

used for marine-related uses requiring direct access. Tenants and property owners will have access to the water either via the marina or through a deep-water wharf to be developed on the Jewell Fulton canal. The site is estimated to support up to 800 new, high-quality jobs when fully built out within a ten-year period.

Improvement to the property to increase its viability for marine-related uses includes construction of approximately 2,000 feet of floating docks attached to the pier structure, and development of access to the Jewell Fulton canal on the eastern side of the property. This will entail filling approximately 1-2 acres of land between the access road and the canal, and the construction of a bulkhead and wharf structure, and perhaps a launching ramp. This will permit prospective tenants direct access to the canal for the shipment or receipt of cargo, or for the launching of vessels (with the appropriate equipment).

A preliminary financial analysis of the preferred redevelopment plan indicates that the property can be successfully redeveloped and new jobs created over an approximately 10-year time frame. It will require an up-front investment of approximately \$2 million to subdivide the property, construct the marina and provide access to the Jewell Fulton canal, and to market and administer the project while users are sought and obtained. The anticipated return on investment is positive; however, it is well below the threshold required by private developers to invest in a project such as this that carries a certain degree of risk. Therefore, in order to ensure the job creation goals of the LRA, the Ingleside LRA will pursue an Economic Development Conveyance of the EMR Facility for economic development purposes.

In order to implement the economic development strategy for the property, the LRA will become an *implementation LRA* through reorganization as a Defense Base Development Authority under Texas Statutes Chapter 379B. This will provide the LRA with the powers to own and dispose of property, borrow monies and other duties required for a fully functional redevelopment agency. Specifics of the redevelopment strategy will be clearly spelled out in the Business Plan that will accompany the EDC Application to the Navy, as described in the Base Redevelopment and Realignment Manual issued by the Department of Defense.

The LRA anticipates that the Navy will convey the EMR Facility property in the first half of 2009, either via deed or via some other means, thereby permitting redevelopment to begin. This will allow for the creation of new job opportunities to be synchronized to the extent possible with the drawdown of civilian personnel at Naval Station Ingleside and the other BRAC realignment actions in the region, in order to mitigate the very serious economic and fiscal impacts resulting from BRAC.

II. INTRODUCTION

A. BRAC Action

The November 2005, Naval Station Ingleside (NSI) was designated for closure under the 1990 Defense Base Closure and Realignment Act (Public Law 101-510, as amended). This announcement set in motion a series of events and procedures whereby the facility was declared surplus by the federal government, and plans were initiated to shut down operations prior to 2011. Other BRAC actions in the region include realignment of activities at Naval Air Station Corpus Christi and the Corpus Christi Army Depot, resulting in the loss of 2,470 military and 445 civilian jobs. A recent study estimates that an additional 3,690 indirect civilian jobs will also be lost in the region as a result of this BRAC action with a total loss of nearly \$346 million in annual wages.²

Naval Station Ingleside consists of a main cantonment area containing approximately 576 acres (483 acres upland and 93 acres submerged land) located in the southeastern portion of the City of Ingleside, Texas on the northern shore of Corpus Christi Bay. The base was constructed in the early 1990s as a homeport for a training carrier and battleship group; however, subsequent changes in the Navy's force structure resulted in the base being designated a homeport for the Mine Warfare Command. The 2005 BRAC decision, and subsequent Congressional action, calls for the main base to revert back to the Port of Corpus Christi Authority from which the land was acquired, when the Navy leaves in September 2010. In addition to the Main Base, the property includes 336 acres of dredge materials area located to 2 miles northwest, which was transferred on September 30, 2008.

Also included in the BRAC action was an approximately 155-acre parcel of upland and submerged land located approximately 1½ miles west of NSI. This property, acquired separately by the Navy, has been utilized for the testing of the ships berthed at the main base. This property, called the Electromagnetic Reduction (EMR) Facility³ is subject to the BRAC disposal and conveyance process. The EMR Facility is expected to close in September 2009.

Under BRAC law, the Department of Defense (DoD) first notified other federal agencies of the availability of the property with none showing an interest. It then contacted the local jurisdiction in which the facility is located to begin a localized redevelopment planning effort.⁴ The City of Ingleside, along with the surrounding municipal and county jurisdictions, responded by forming a local redevelopment authority (LRA), which was subsequently approved by DoD's Office of Economic Adjustment (OEA) as the officially recognized planning agent for the property.

² *A Report of the Impact of the 2005 Base Realignment and Closure Committee Actions for Naval Station Ingleside, Naval Station Corpus Christi, and Corpus Christi Army Depot*, September 18, 2008; presented by Jim Lee, PhD (Texas A&M @ Corpus Christi) and Impact DataSource (Austin, TX), prepared for Workforce Solutions of the Coastal Bend (www.coastalworksource.com).

³ The EMR is sometimes also referred to as the Electromagnetic Roll Facility.

⁴ The notice of surplus property was published in the May 10, 2006 Federal Register.

This report presents the results of the LRA's planning effort for the EMR Facility, culminating in a Preferred Reuse Plan for the property.

B. Local Redevelopment Authority

In response to the BRAC actions regarding NSI and the EMR Facility, the community formed a multi-jurisdictional Ingleside Local Redevelopment Authority to plan for the reuse of the EMR Facility and to undertake a regional economic diversification strategy in order to help mitigate the loss of military and civilian jobs in the region. The Ingleside LRA consists of eight members, two each from San Patricio County and Nueces County, two from the City of Corpus Christi and two from the City of Ingleside. Members include:



Stella Herrmann
LRA Chairperson,
Mayor
City of Ingleside



Henry Garrett
Mayor
City of Corpus Christi



Mike Hummell
Councilman
City of Corpus Christi



Chuck Cazalas
Commissioner
Nueces County



Oscar Ortiz
Commissioner
Nueces County



Sandi Ridgley
President, Ingleside C of C
City of Ingleside



Jim Price
Commissioner
San Patricio County



Nina Trevino
Commissioner
San Patricio County

The LRA hired a full-time Project Manager, Ms. Rose Collin along with an Administrative Assistant to manage the day-to-day activities and oversee the consultant teams hired to undertake various studies. The LRA has met in public session on a regular basis since its formation, and has reached out to the community seeking input on the redevelopment of the facility.

The LRA obtained office space at no cost from San Patricio County at the T. P. Cambell Airport near downtown Ingleside. The address is 3141 FM 3512 Aransas Pass, Texas 78336.

When initially formed, the Ingleside LRA discussed and issued a Mission and Goal statement, as follows:

NSI-EMR Facility (Surplus Property)
Ingleside Local Redevelopment Authority

The **MISSION** of the Ingleside LRA is to prepare a comprehensive plan for the redevelopment of the NSI-EMR Facility (surplus property).

The **VISION** of the Ingleside LRA is to provide a framework for the creation of a unique community asset.

The **GOALS** of the Ingleside LRA are to...

- Develop a plan that will enhance the local economy and increase local tax revenues.
- Develop a plan that will replace and/or increase civilian jobs and payroll.
- Build community support and excitement through an open planning process.
- Strive to be responsive to the social needs of the local community.
- Carry out the planning process in a timely fashion.
- Capitalize on opportunities and remain flexible throughout the process.

Subsequent discussions by the LRA, based in part on the reuse planning efforts to-date and on review of the goals set by other LRAs, have refined these goals to the following statement that was approved by the LRA at its October 20, 2008 meeting:

Redevelopment Goals for the Ingleside Electromagnetic Reduction Facility



Primary Goals

- Creation of new employment opportunities for the Coastal Bend region
- Provide enhanced opportunities for business growth and development for the Coastal Bend region

Secondary Goals

- Protection of the natural/coastal environment
- Maintain and open and transparent planning and implementation process

These goals help to form the basis around which redevelopment alternatives for the EMR Facility property are then evaluated.

III. EXISTING CONDITIONS

A. Property Description

This chapter provides data and information on the physical condition of the EMR Facility and serves as a basis for the redevelopment planning.

1. Location

The EMR Facility is located on the northeastern shore of Corpus Christi Bay in the City of Ingleside, Texas, approximately 20 miles west of downtown Corpus Christi. It is approximately 3 miles south of downtown Ingleside, Texas off of Farm to Market (FM) Route 1069, also known as South Main Street. Figure 1 indicates the general location of the EMR Facility within the region. The upland portion of the property is located within the Extra Territorial Jurisdictional limits (ETJ) of the City of Ingleside, while the submerged portion is within the Corpus Christi city limits, which extend to the shoreline of Corpus Christi Bay.

Figure 1



2. Size

The approximately 155-acre property includes 105.48 acres of submerged land bordering the La Quinta ship channel to the west and the Jewell Fulton canal to the south. There is 46.35 acres of uplands and 3.64-acre easement and right-of-way containing the approximately 2,500-foot access road from FM1069.

Figure 2 provides the Site Plan for the EMR Facility showing the estimated property boundaries and key topographic features over a recent aerial photograph.

3. Topography/Bathymetry

The upland portion of the site is generally flat and uniform, sloping very slightly from the property entrance toward the shoreline, with elevations ranging from 12 to 14 feet above mean low water. Soils are typical of coastal tidelands in the region and are considered potentially developable for buildings and structure with proper foundation design considerations. A small portion of the upland property (along the shoreline) is located in the 100-year floodplain of approximately 9 feet above mean sea level. The shoreline is subject to tides of approximately 1 to 2 feet.

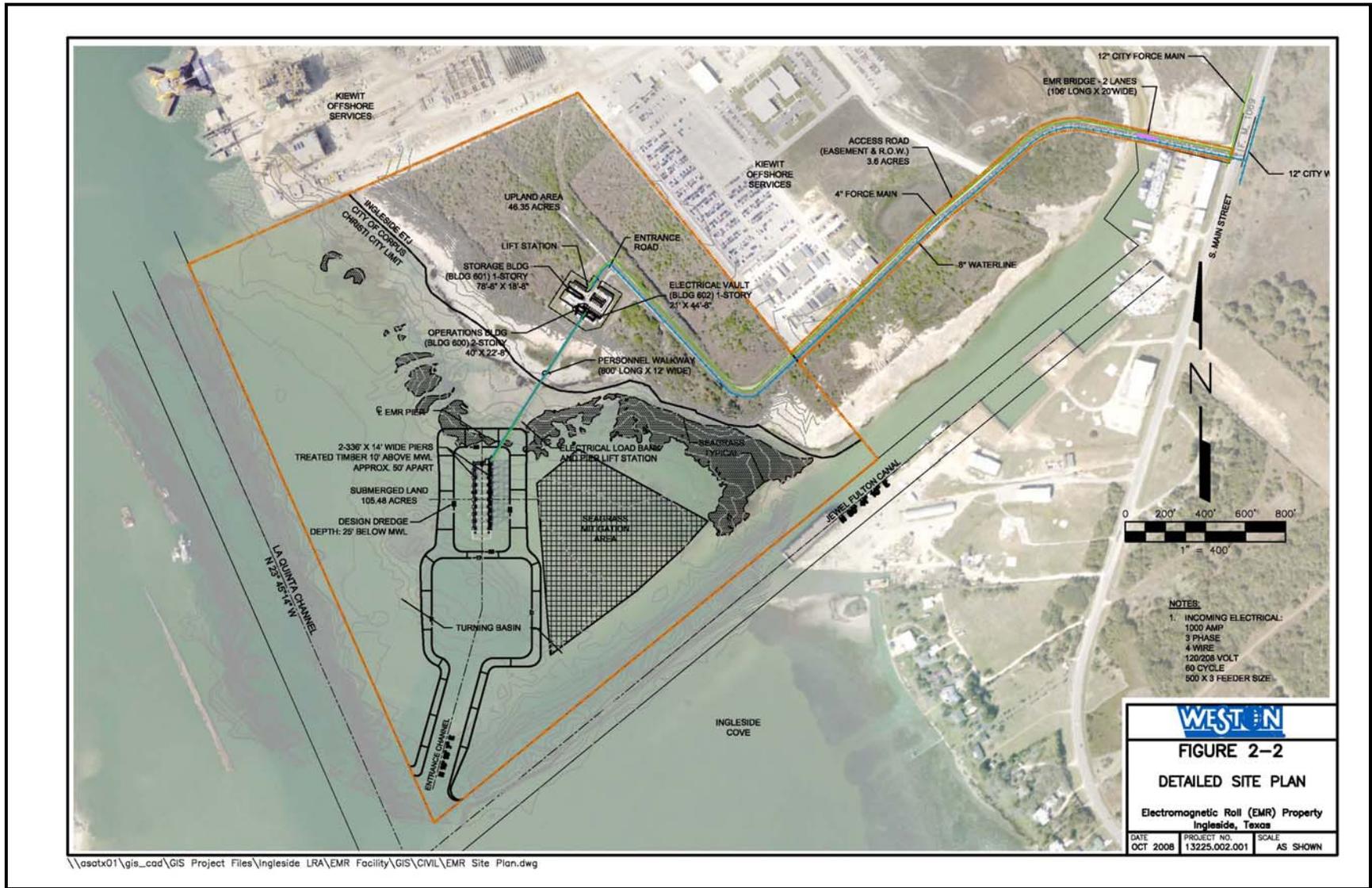
The submerged portion of the site naturally slopes gently away from the shoreline to a depth of approximately 7 to 8 feet below mean low water at the property boundaries along the channel edges. The shoreline is characterized by very shallow waters within 200 to 300 feet of shore. The Navy dredged portions of the submerged lands when constructing the EMR facility. This included a 150-foot wide channel in from the La Quinta ship channel, a 450 by 450 foot 17 foot deep turning basin and the area under the piers of the EMR structure dredged to 25 feet deep. The total dredged area is estimated to be approximately 9 acres.

4. Surrounding Land Uses

The EMR Facility is located in an area of Ingleside that is characterized by a mixture of land uses including industrial, commercial and low-density residential. The abutting properties are industrial in nature and include the 400+-acre Kiewit Offshore Services, Inc. marine fabrication facility to the north and west. Across the Jewell Fulton canal are a variety of marine-related industrial and commercial uses, including the future site of a \$20 million wind turbine and blade testing facility to be operated by a consortium of educational institutions led by the University of Houston.⁵ This R&D facility is anticipated to help create demand for other alternative energy firms to operate in the area. Further south along FM1069 residential land uses within the City of Ingleside on the Bay predominate. North along FM1069 toward Ingleside are varieties of commercial, residential and institutional land uses, including substantial tracts of undeveloped property.

⁵ See <http://www.caller.com/news/2007/jun/26/wind-turbines-ingleside-gets-20m-plant/> for additional information.

Figure 2 - Site Plan (from Weston Solutions Site Assessment Report)



B. History

Naval Station Ingleside was constructed between 1988 and 1992 by the Navy, originally as a homeport for a carrier and battleship group, then as the homeport of several Mine Warfare squadrons due to a shift in national military priorities and consolidation of naval facilities. The EMR Facility property was acquired by the Navy in 1997 through eminent domain proceedings from several owners, believed to be heirs of the Welder family, which once owned much of the surrounding area, for a price of \$2.6 million. This price calculates out to approximately \$16,500 per acre for the 151.826 acres of upland and submerged portions of the property, and \$25,000 per acre for the 3.639-acre perpetual and assignable easement and right-of-way for the entrance road. A copy of the court order and the accompanying metes and bounds descriptions of the parcels is included in Appendix A. The EMR facility was constructed in 1997-1998, according to the Navy.

C. Area Demographics & Economic Trends

The population of the Coastal Bend region, which includes the greater Corpus Christi area, is estimated at just over 572,000 for 2008.⁶ Over 60% of the region's population lives in Nueces County (approximately 328,000 people), with 51% of the regional total living in the City of Corpus Christi, as shown in Table 1. Approximately 13% live across Corpus Christi Bay in San Patricio County (74,000) including the City of Ingleside with approximately 9,700 residents, which accounts for 1.7% of the region's population. Since 2000, the region has grown by approximately 48,000 people, or 4.3% (0.3% annually). Fastest growth was in Aransas County (nearly 1% per year) with Nueces and San Patricio County growing in line with the regional average. The City of Ingleside grew by 336 persons, or 3.6% between 2000 and 2008 (0.5% annually), after growing by nearly 4,000 residents in the previous decade due to the development of Naval Station Ingleside by the Navy.

Regional growth in the Coastal Bend has lagged the rest of the State of Texas, which grew 15.6%, or nearly 2% per year, between 2000 and 2008.⁷ The population of the Coastal Bend region is forecast to grow by approximately 2%, or 11,400 people, over the next five years, with nearly 60% of that growth occurring in the City of Corpus Christi and the rest of Nueces County, while nearly 18% will occur in San Patricio County. Household growth is forecast at approximately 2.7%, or 5,400 units, over the next five years, with most of it occurring in the City of Corpus Christi and in Aransas County.

⁶ The Coastal Bend is a 12 county region surrounding the City of Corpus Christi and includes Nueces, San Patricio and Aransas counties (which are included in the Metropolitan Statistical Area) and the following counties: Bee, Brooks, Duval, Jim Wells, Kenedy, Kleberg, Live Oak, McMullen and Refugio.

⁷ Source: Texas State Data Center at http://txsdc.utsa.edu/tpepp/2007_txpopest_county.php

Median household incomes in 2008 in the Coastal Bend region ranged from \$34,300 in the rest of the region outside the MSA to \$49,800 in Ingleside, compared to the statewide median of \$53,400, as shown in Table 2. Incomes have been growing at 3% to 4% annually over the past eight years, and are forecast to continue to grow, but at a slightly slower rate through 2013. Unemployment in the region is in the 4-5% range, slightly below the statewide average. Additional demographic and economic data can be found in the Economic Diversification Strategy report that RKG Associates concurrently prepared for the Ingleside LRA.

Table 1 – Coastal Bend Population Trends

Population Trends and Projections 1980-2013						
	1970	1980	1990	2000	2008	2013
POPULATION COUNT						
Ingleside City	5,087	6,308	5,696	9,388	9,724	10,092
San Patricio County (less Ingleside)	42,201	51,705	53,053	57,750	61,866	64,044
Corpus Christi City	204,525	231,875	257,453	277,454	290,978	296,462
Nueces County (less Corpus Christi)	33,019	36,340	33,692	36,191	36,810	37,193
Aransas County	8,902	14,260	17,892	22,497	26,251	28,945
Coastal Bend Region (less MSA)	126,626	137,058	133,019	145,732	147,147	147,424
NET CHANGE						
Ingleside City		1,221	(612)	3,692	336	368
San Patricio County (less Ingleside)		9,504	1,348	4,697	4,116	2,178
Corpus Christi City		27,350	25,578	20,001	13,524	5,484
Nueces County (less Corpus Christi)		3,321	(2,648)	2,499	619	383
Aransas County		5,358	3,632	4,605	3,754	2,694
Coastal Bend Region (less MSA)		10,432	(4,039)	12,713	1,415	277
PERCENT CHANGE IN POPULATION						
Ingleside City		24.0%	-9.7%	64.8%	3.6%	3.8%
San Patricio County (less Ingleside)		13.4%	11.0%	7.8%	4.9%	1.9%
Corpus Christi City		22.5%	2.6%	8.9%	7.1%	3.5%
Nueces County (less Corpus Christi)		10.1%	-7.3%	7.4%	1.7%	1.0%
Aransas County		60.2%	25.5%	25.7%	16.7%	10.3%
Coastal Bend Region (less MSA)		8.2%	-2.9%	9.6%	1.0%	0.2%
ANNUAL PERCENT CHANGE						
Ingleside City		2.4%	-1.0%	6.5%	0.4%	0.8%
San Patricio County (less Ingleside)		1.3%	1.1%	0.8%	0.6%	0.4%
Corpus Christi City		2.3%	0.3%	0.9%	0.9%	0.7%
Nueces County (less Corpus Christi)		1.0%	-0.7%	0.7%	0.2%	0.2%
Aransas County		6.0%	2.5%	2.6%	2.1%	2.1%
Coastal Bend Region (less MSA)		0.8%	-0.3%	1.0%	0.1%	0.0%
Source: U.S. Census, ESRI and RKG Associates, Inc., 2008						

Table 2 – Coastal Bend Income Trends

Median Household Income Trends 1980-2013				
	1990	2000	2008	2013
MEDIAN HOUSEHOLD INCOME				
Ingleside	\$24,659	\$38,035	\$49,804	\$58,298
San Patricio County	\$22,752	\$34,837	\$44,350	\$51,320
Corpus Christi	\$25,809	\$36,459	\$47,327	\$54,608
Nueces County	\$25,348	\$35,982	\$46,445	\$53,367
Aransas County	\$21,121	\$30,783	\$40,556	\$47,858
Rest of Coastal Bend	\$19,256	\$27,967	\$34,335	\$38,998
Texas	\$27,038	\$39,928	\$52,394	\$61,990
PERCENT CHANGE IN MEDIAN HOUSEHOLD INCOME				
Ingleside		54.2%	30.9%	17.1%
San Patricio County		53.1%	27.3%	15.7%
Corpus Christi		41.3%	29.8%	15.4%
Nueces County		42.0%	29.1%	14.9%
Aransas County		45.7%	31.7%	18.0%
Rest of Coastal Bend		45.2%	22.8%	13.6%
Texas		47.7%	31.2%	18.3%
ANNUAL PERCENT CHANGE				
Ingleside		5.4%	3.9%	3.4%
San Patricio County		5.3%	3.4%	3.1%
Corpus Christi		4.1%	3.7%	3.1%
Nueces County		4.2%	3.6%	3.0%
Aransas County		4.6%	4.0%	3.6%
Rest of Coastal Bend		4.5%	2.8%	2.7%
Texas		4.8%	3.9%	3.7%

Source: U.S. Census, DemographicsNow and RKG Associates, Inc., 2007

Between 2002 and 2006, total employment in the Corpus Christi Metropolitan Statistical Area (MSA) grew by 12.7%, or nearly 16,500 jobs.⁸ This followed a 2% drop in employment over the previous four years. The upturn in the local economy compares very favorably to statewide employment growth of 8.5% over the same period. As shown in **Error! Reference source not found.**, the primary industry sectors that saw large increases included construction (much of which involved heavy construction related to the petrochemical industry), accommodations and food services, retail trade, health care and professional and technical services. Tourism related growth, as indicated by the increase in retail and accommodations and food services, and health care have shown the strongest longer-term growth potential. Although manufacturing lost jobs, a few subsectors within the broader category, including chemical manufacturing, showed increases in employment over the 2002 to 2006 timeframe.

⁸ The Corpus Christi MSA consists of Aransas, Nueces and San Patricio counties

Figure 3 – Employment Trends

Employment Trends Corpus Christi MSA; 1998-2006								
NAICS	DESCRIPTION	EMPLOYMENT			CHANGE		% CHANGE	
		1998	2002	2006	98-'02	02-'06	98-'02	02-'06
--	Total	132,478	129,676	146,141	(2,802)	16,465	-2.1%	12.7%
11	Forestry, Fishing, Hunting, and Agriculture Support	186	181	138	(5)	(43)	-2.7%	-23.8%
21	Mining	1,500	2,235	3,129	735	894	49.0%	40.0%
22	Utilities	873	1,085	869	212	(216)	24.3%	-19.9%
23	Construction	12,665	10,478	17,250	(2,187)	6,772	-17.3%	64.6%
31	Manufacturing	11,620	10,350	8,971	(1,270)	(1,379)	-10.9%	-13.3%
42	Wholesale Trade	5,475	5,265	5,435	(210)	170	-3.8%	3.2%
44	Retail Trade	19,542	18,922	21,166	(620)	2,244	-3.2%	11.9%
48	Transportation and Warehousing	2,812	2,917	3,831	105	914	3.7%	31.3%
51	Information	2,663	2,616	2,410	(47)	(206)	-1.8%	-7.9%
52	Finance and Insurance	4,396	4,460	4,635	64	175	1.5%	3.9%
53	Real Estate and Rental and Leasing	2,729	3,633	3,002	904	(631)	33.1%	-17.4%
54	Professional, Scientific, and Technical Services	5,451	5,584	7,035	133	1,451	2.4%	26.0%
55	Management of Companies and Enterprises	910	945	1,368	35	423	3.8%	44.8%
56	Administrative and Support and Waste Management	11,884	9,668	10,632	(2,216)	964	-18.6%	10.0%
61	Educational Services	920	996	1,195	76	199	8.3%	20.0%
62	Health Care and Social Assistance	24,033	24,803	26,363	770	1,560	3.2%	6.3%
71	Arts, Entertainment, and Recreation	1,547	1,526	2,522	(21)	996	-1.4%	65.3%
72	Accommodation and Food Services	14,938	16,083	18,563	1,145	2,480	7.7%	15.4%
81	Other Services (except Public Administration)	7,633	7,596	7,561	(37)	(35)	-0.5%	-0.5%
95	Auxiliaries (exc corporate, subsidiary & regional mgt)	444	281	0	(163)	(281)	-36.7%	-100.0%
99	Unclassified	257	52	66	(205)	14	-79.8%	26.9%

Source: U.S. Census Bureau and RKG Associates, Inc., 2008
Note: Due to the reclassifications of certain industry sectors by the Census Bureau in 2002, some 2006 totals may be skewed by an inconsequential amount.

Although employment showed large gains, the number of business establishments rose only slightly, increasing by under 2%, as shown in Table 3. This indicates that existing businesses grew, as opposed to new business start-ups. Surprisingly, the number of retail businesses actually decline in the MSA even though employment grew substantially.

Additional economic analysis can be found in the Economic Diversification Strategy report done by RKG Associates for the Ingleside LRA.

Table 3 – Trends in Number of Business Establishments

Establishment Trends								
Corpus Christi MSA; 1998-2006								
NAICS	DESCRIPTION	ESTABLISHMENTS			CHANGE		% CHANGE	
		1998	2002	2006	98-'02	02-'06	98-'02	02-'06
--	Total	9,434	9,447	9,604	13	157	0.1%	1.7%
11	Forestry, Fishing, Hunting, and Agriculture Support	44	34	32	(10)	(2)	-22.7%	-5.9%
21	Mining	185	180	206	(5)	26	-2.7%	14.4%
22	Utilities	36	55	38	19	(17)	52.8%	-30.9%
23	Construction	754	669	735	(85)	66	-11.3%	9.9%
31	Manufacturing	295	273	256	(22)	(17)	-7.5%	-6.2%
42	Wholesale Trade	567	531	516	(36)	(15)	-6.3%	-2.8%
44	Retail Trade	1,560	1,477	1,451	(83)	(26)	-5.3%	-1.8%
48	Transportation and Warehousing	255	272	288	17	16	6.7%	5.9%
51	Information	125	146	157	21	11	16.8%	7.5%
52	Finance and Insurance	575	650	660	75	10	13.0%	1.5%
53	Real Estate and Rental and Leasing	454	497	534	43	37	9.5%	7.4%
54	Professional, Scientific, and Technical Services	843	893	922	50	29	5.9%	3.2%
55	Management of Companies and Enterprises	52	64	54	12	(10)	23.1%	-15.6%
56	Administrative and Support and Waste Management	399	404	424	5	20	1.3%	5.0%
61	Educational Services	61	67	85	6	18	9.8%	26.9%
62	Health Care and Social Assistance	1,088	1,087	1,136	(1)	49	-0.1%	4.5%
71	Arts, Entertainment, and Recreation	117	123	116	6	(7)	5.1%	-5.7%
72	Accommodation and Food Services	897	926	986	29	60	3.2%	6.5%
81	Other Services (except Public Administration)	1,038	1,047	978	9	(69)	0.9%	-6.6%
95	Auxiliaries (exc corporate, subsidiary & regional mgt)	15	9	0	(6)	(9)	-40.0%	-100.0%
99	Unclassified	74	43	30	(31)	(13)	-41.9%	-30.2%

Source: U.S. Census Bureau and RKG Associates, Inc., 2008
Note: Due to the reclassifications of certain industry sectors by the Census Bureau in 2002, some 2006 totals may be skewed by an inconsequential amount.

D. Economic Impacts of the BRAC Decision

A local agency that deals with employment issues in the region commissioned an economic impact analysis of the BRAC closure and realignment decision in 2005, with an update in September 2008.⁹ The report, authored by a faculty member at Texas A&M – Corpus Christi, found that the closure of Naval Station Ingleside (NSI) and the realignments at Naval Air Station Corpus Christi and Corpus Christi Army Depot would result in the loss of 2,470 military jobs (with 1,681 of those, or 68%, located at NSI) and 445 direct civilian and contractor positions (325 at NSI). The total number of indirect jobs that will be lost was estimated 3,690 for a total impact of 6,605 jobs within the region. A copy of the impact report is available at the LRA offices.

While the large majority of these job losses will occur as a result of the closure of NSI, the total number of lost jobs is roughly evenly split between Nueces County and San Patricio County. These losses entail approximately 1.1% of the Nueces County workforce and 6.5% of the San Patricio County workforce. Total payroll losses were estimated at nearly \$346 million per year.

NSI has been one of the major employers in San Patricio County and the City of Ingleside. An economic impact of this magnitude will have serious ramifications on the region. To help

⁹ See footnote #1

mitigate some of these impacts, the Ingleside LRA is concurrently undertaking an Economic Diversification Strategy for the Coastal Bend, in order to identify ways for the regional economy to grow and become less dependent on the military and the petrochemical sectors.

E. Facilities Assessment

As an important component of the redevelopment planning process, a detailed site analysis of the EMR property was undertaken by Weston Solutions, Inc. as a subcontractor to RKG Associates, Inc. This analysis includes descriptions of the site itself (both upland and submerged lands), buildings and utilities, as well as local zoning and infrastructure. The findings of the analysis were based on data and mapping provided by the Navy along with review of local ordinances and utility information, as well as multiple site visits to the EMR Facility. The report identifies potential constraints on redeveloping the property for other civilian uses. An abridged copy of the Weston Solutions report is included in Appendix B and a full copy of the report, including all appendices, is on file in the LRA office. Key findings include:

- **Surface Infrastructure:** There are three existing concrete masonry buildings on-site that can be used as part of redevelopment if applicable. The structures include a maintenance/storage building (1,400 square feet), an electrical vault building (1,058 square feet) and a two-story operations building with office space on the second floor (1,840 square feet). The buildings are supported by parking areas and utility connections, as shown in Figure 4.

An existing access walkway and double pier structure (wood on concrete piles) allow water-dependent uses and provide maritime vessel accessibility. The pier structure includes a large metal “cage” structure used exclusively by the Navy as part of its ship testing and calibration activities. Utilities on the pier include electrical service, water for fire protection and wastewater.

An existing concrete bulkhead provides shoreline stability and structural integrity to the walkway and piers. There are two existing lift stations on-site that pump wastewater to the Ingleside wastewater collection system. A structural evaluation of surface infrastructure items was not included as part of this assessment. Further structural evaluation of the integrity of the bulkhead, walkway, and piers may be necessary as part of any proposed redevelopment. According to the Navy’s records, a full inspection was completed in 2007, and there were no significant issues.

Figure 4 - EMR Buildings and Improvements

- **Access:** The site is accessible by vehicle via an entrance road off of FM 1069 or by waterside at the piers. The entrance road is a paved path to the existing parking area with 38 usable spaces. The site meets Ingleside emergency vehicle access requirements by complying with the 2000 International Fire Code. There are no apparent ADA accessible issues or site limitations, with the exception of access to the second floor office space in one of the buildings.

In the court documents conveying the property to the U.S. Government, the access road is described as “*a perpetual and assignable easement and right-of-way to locate, construct, operate, maintain, and repair a roadway and utility lines in, upon, over and across the 3.639 acres of land reserving to the landowners, their heirs and assigns, however, the right to relocate said easement and right-of-way at their sole expense, such relocated right-of-way to equal or exceed the improvements made by the United States on said easement and right-of-way.*” A portion of the access road, including the bridge across Jewell Fulton Canal, is shared with the abutter, Kiewit Offshore Services, Inc. According to San Patricio County tax records, Welder Heirs Ltd. is believed to be the underlying landowner of the access road and the abutting property, which is leased to Kiewit. No information regarding the shared use and maintenance of the road between Kiewit and the Navy was provided.

- **Surface Topography:** The area consists of soils expected of a shoreline property that are able to support structures and urban uses with engineered foundations. The groundwater elevation is just below the surface and the site drains properly to the

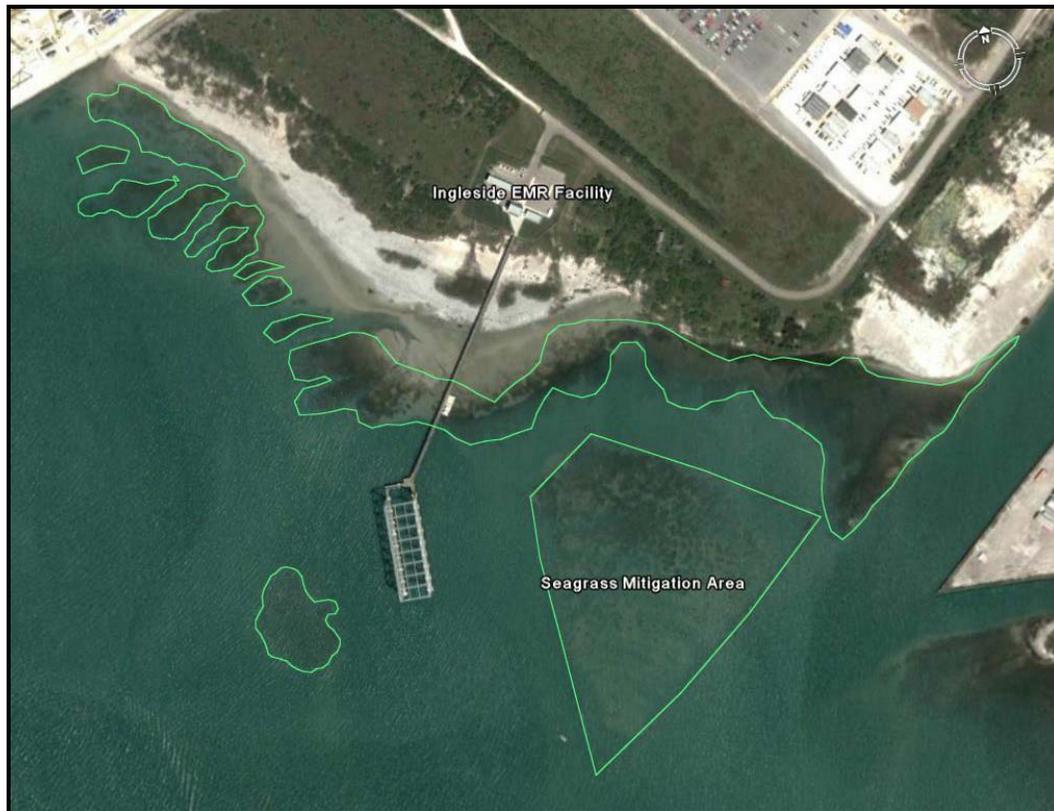
shoreline. A portion of this site is within the designated 100-year floodplain and may require floodplain determinations and special design elements upon redevelopment.

- **Submerged Lands:** There are 105 acres of submerged land as part of this property. The current depths associated with the east and west piers provide sufficient access for similar, previous maritime uses that accommodated a vessel approximately 250-feet long, 75 feet wide, and 100 vertical feet above mean water level, and 10 vertical feet submerged.

The submerged land floor elevations from the piers along the walkway to the bulkhead at the shoreline are relatively shallow and are subject to tidal fluctuations. Therefore, any future uses that require maritime access in that area may require further investigation and possible dredging, permitting and construction activities to accommodate alternate uses.

The shallow nearshore waters within and adjacent to the EMR Property currently support seagrass beds which contain shoal grass as the most prevalent species, as shown in Figure 5. In addition to the naturally occurring seagrass meadows, a successful seagrass mitigation site also occurs adjacent to the EMR pier within the EMR Property. Activities within the EMR Property that may adversely impact the present seagrasses may require special considerations. The activities must avoid the seagrass area, minimize significant impacts, or compensate through mitigation at 3 acre per 1 acre of disturbance ratio.

- **Environmental Considerations:** An environmental analysis was not performed with this review. However, the 2007 ECP outlined environmental considerations for the EMR facility. There were no significant findings that would inhibit future redevelopment. See section E below for more detailed information.
- **Dry Utilities:** There are existing communication lines and electrical service within the EMR property. The electrical service is believed to be a 1,000 amp, 3 phase, 4 wire system. The utilities are currently privately owned and maintained by the Navy. There was no record of gas service on the site. Any future redevelopment may require additional infrastructure to service new structures or uses on the site. In addition, the services would have to be coordinated with known service providers in the area for connections to the non-military systems. Cable One is the cable provider, Verizon is the telephone provider, Centerpoint is the gas provider, and AEP is the electrical service provider.

Figure 5 - Submerged Lands and Seagrass Areas

- **Wet Utilities:** The water system consists of domestic service lines and a fire line. It is possible that upgraded water service would be required for future development of this site if the demand for water is greater than what is currently being used. A hydraulic analysis for the future use could be required to evaluate the available capacity of the water distribution system to provide sufficient supply and fire protection pressures.

The wastewater system consists of a gravity and pressure system operated by PVC wastewater lines and two small pump stations on-site. It is possible that upgraded wastewater service would be required for a future development of this site if the demand for wastewater collection is greater than what is currently being used. Additional lift stations may be required on-site to upgrade pumping capacity if required, and a capacity analysis for the future use could be required to evaluate the ability of the Kiewit pump station to receive additional flows.

There are no existing stormwater structures on the EMR property. The site generally drains to the south out to the LaQuinta Channel. However, redevelopment may leave the site required to permit the property with an updated SWP3 for discharges associated with permitting activities. These permits may require measures for post-development detention as well as water quality best management practices.

- **Pier Structures:** The most prominent feature of the EMR Facility is the pier system with an access walkway that stretches approximately 800 feet from the shore out into

Corpus Christi Bay, and connects to a double 300 foot East-West pier system that supports the EMR “cage” structure. The walkway and piers are built of treated wood decking resting on concrete and non-magnetic fiberglass reinforced plastic (FRP) composite pile bents, constructed in 1996. It has full lighting and foam-filled fenders along each side for vessel safety and guidance. There are two utility conduits anchored to the underside of the planking that carry electrical and water service out to the end of the piers and provide wastewater collection from the piers to the lift station on the access walkway. The piers and walkways have lighting and handrails for safety.. The access walkway to the east and west piers is approximately 12 feet wide with an 8-foot wood decking pathway. The remaining 4 feet of the walkway consists of a cable tray bank to service the electrical needs of the load banks and degaussing process. The electrical load banks are located on the East side and contain Avtron generators that will be removed upon property closure. The pad for the load banks contains a lift station that pumps the waste collected at the piers up to the lift station on-site. Figure 7 shows a view of a portion of the pier structure at the head of the U-shaped area.

- **Cage Structure:** The metal “cage” mounted on the East-West piers is 270 feet long, 85 feet wide and has an overhead clearance of 143 feet, as shown in Figure 8. It reportedly extends down 44 feet below mean water level. The submerged area of the cage consists of a system of sensor tubes located approximately 25 feet below mean water level. The cage is supported on the north side by the access walkway and to the east and west by the two piers. It is constructed primarily of aluminum trusses bolted together with stainless steel connectors and wire. All of the metal within the cage area was designed to be non-magnetic, so as not to interfere with the analysis and testing of the Navy’s mine warfare vessels.

Figure 6 – Interior View of Pier Structure



Figure 7 - View of Pier Structure with Kiewit Facility in Background



Figure 8 - Aerial View of EMR "Cage"

F. Zoning

Most of the EMR Facility's upland property is located within the Extra Territorial Jurisdiction (ETJ) area of the City of Ingleside, and is thus subject to the land use bylaws of that municipality as outlined in the Comprehensive Master Plan adopted by City Council on August 30, 1994 and Chapter 78 of the current City Ordinances (adopted November 7, 1995).¹⁰ Although the parcel does not fall within a zoning designation, it is directly adjacent to the economic growth area designated in the master plan on the south side of the City along FM1069 between the Corpus Christi Ship Channel and the Jewell Fulton Canal. Historically, areas within the ETJ are zoned as Residential until development occurs, at which time the City Council can re-zone the property based on the master plan and the particular use envisioned, or enter into an industrial district agreement for economic development.

According to the City of Ingleside, the property (included in Tract C-1) is targeted for annexation in early 2009, following public hearings in November.

The submerged portion of the EMR Facility property is located within the city limits of Corpus Christi, and therefore subject to that City's zoning regulations. According to the City's planning department, land under the bay waters are zoned R1B – Single Family Dwelling and a review of the allowed uses indicates that only residential and some related uses (such as recreation) are allowed. Wind energy facilities are allowed within the zone as an overlay use.

¹⁰ A portion of the access road appears to be located within the Ingleside city limits. See Weston Solutions' Facility Assessment Report (Appendix B).

G. Environmental Conditions

On May 9, 2006, the Navy issued the Final Environmental Condition of Property Report (ECP) for Naval Station Ingleside. This report summarizes the historical, cultural and environmental conditions of the property as required under BRAC regulations for the entire NIS property, including the EMR Facility and the 432-acre dredge material disposal area located 2 miles to the northwest of the main base. The ECP describes the findings of a comprehensive review process that looks at existing records and data in order to classify environmental conditions relative to their suitability for transfer.

Although it is not possible to know the extent of the potential hazardous materials at the site or the requirements for remediation before the property can be disposed of by the Navy for reuse, the information contained within the ECP is useful in considering reuse alternatives for the property. The clean-up standards that the government must meet are partly dependent on the reuse of the property – for example, residential and educational uses have a higher standard of cleanup than industrial or commercial. The findings of the Navy's further analysis of the environmental conditions at the facility will be important input into the redevelopment strategy.

Consistent with DoD and Navy policy, the environmental program at the facility is being conducted pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Under the CERCLA process, the Navy incorporates other applicable or relevant and appropriate federal and state regulations. Under current federal law, the Navy cannot transfer the property until all contamination has been remediated (cleaned up or otherwise rendered harmless).

The findings of the ECP indicate that there are no environmental issues or constraints at the EMR Facility that would impact the redevelopment of the site. Excerpts from the ECP, including the Executive Summary, Table of Contents, Introduction and Conclusions relevant to the EMR Facility are reproduced in Appendix C. A copy of the full ECP is available from the LRA.

Once the Navy receives the Redevelopment Plan, it will then begin work on an Environmental Assessment (EA), or an Environmental Impact Statement (EIS), if necessary, for the transfer based on the uses proscribed in the plan. The EA serves as the basis for the clean up of the property.

H. Waterfront

The EMR Facility property includes approximately 2,800 linear feet of waterfront on Corpus Christi Bay, facing the La Quinta Ship Channel. In addition, there is approximately 200 feet facing the Jewell Fulton Canal. The waterfront is marked by a gradually sloping sandy beach leading to 200 to 300 feet of tidal shallows before deepening to approximately 5-6 feet at the property's edge along the channel. There are frequent occurrences of seagrass growth in the shallows, along with a large seagrass mitigation area (estimated at 5-6 acres) that was created by the Navy when the submerged property was dredged.

Redevelopment of the site for waterfront-intensive uses, such as maritime industrial or certain commercial or recreational uses may entail the need for alteration of the waterfront either through dredging or filling of the wetland area. Either method involves detailed permitting

I. Personal Property

The EMR Facility was used for testing and calibrating the magnetic fields around the ships engaged in mine warfare. As a result, there are few on-site buildings containing personal property that will be included as surplus for BRAC. A file dated 07April2008 was provided to the LRA which contained a list of approximately 90 items including office furniture and fixtures, office equipment and miscellaneous tools and accessories. These items may be acquired by the LRA for economic development uses by it or possible tenants. The Personal Property Inventory (PPI) is included in Appendix D.

J. Caretaker Status

As of September 30, 2008, the Navy stopped activity at the EMR Facility, with the property going into “caretaker status”, whereby it will be secured, the building HVAC systems adjusted but kept operational, and routine maintenance of the utilities and other systems will continue but on a reduced basis. The objective is to ensure that the facilities remain usable once the redevelopment plan is completed and conveyance can occur.

IV. PROPERTY TRANSFER PROCESS

This chapter of the EMR Facility Redevelopment Plan describes the various methods of transfer available to the Navy under the Base Realignment and Closure (BRAC) legislation and regulations¹¹. BRAC is *the process that the Department of Defense (DoD) uses to reorganize its installation infrastructure to more efficiently and effectively support its forces, increase operational readiness, and facilitate new ways of doing business.*¹²

Generally, these conveyance methods fall into two major categories that involve options for transferring the property, or portions of the property, at no cost or reduced cost, as well as others that involve acquisition at fair market value. Other options discussed in this chapter involve the potential for early transfer of the facility for civilian use prior to full closure and environmental cleanup by the military.

All of the options noted above are reflective of the military's criteria for disposal of surplus property emanating from the 2005 BRAC evaluation process. These criteria emphasize, among other factors, DoD's intent to expedite the transfer process and to maximize a return on investment for the federal government as part of that process. This indicated desire to accelerate the closure process and transfer the facility to community use means that the military may be more flexible in applying a variety of approaches to hasten this conveyance. However, it is also an indication that the military will "rely on and leverage market forces" to the greatest extent possible, as noted in the Base Realignment and Closure Manual (BRRM). All of these factors have ramifications for the Ingleside Local Redevelopment Authority's (LRA) preparation of a final reuse plan, which will be discussed in this and subsequent chapters of the redevelopment plan.

It should be noted that the BRAC transfer information described here applies only to the EMR Facility and not to Naval Station Ingleside (NSI). When the Navy closes NSI, it will be transferred to the Corpus Christi Port Authority under the terms of a reversion clause in the deed that created when the Navy acquired the property from the Port. Subsequent federal legislation specified that the transfer would be at no cost.

A. Property Transfer Alternatives

Once the decision has been made through the BRAC process to close a military installation, federal law provides for a number of alternative transfer methods that can be employed by the Department of Defense (DoD) to dispose of the property. The primary methods of transfer most likely to be considered by the Navy for the facility are outlined in Table 1 and discussed in more detail in the subsequent portions of this chapter. These methods are based

¹¹ The Federal law governing the BRAC process is contained in provisions of Title II of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law 100-526, 102 Stat. 2623, 10 U.S.C. 2687 note), and the Defense Base Closure and Realignment Act of 1990 (Public Law 101-510, Part A of Title XXIX of 104 Stat. 1808 U.S.C. 2687 note)(reference (c)).

¹² Source: OSD web site as reported in the Base Redevelopment and Realignment Manual (BRRM), March 1, 2006. Available on-line at www.oea.gov

on information presented in the BRRM, which contains the DoD's primary guidelines for reuse of BRAC facilities.

Table 1– Property Transfer Alternatives

Conveyance Method	Conditions	Community Planning Considerations
Public Benefit Conveyance (PBC)	<ul style="list-style-type: none"> • The property is conveyed at market value unless a sponsoring agency determines a discount is warranted. • The property must be used for public purposes (schools, airports, healthcare, recreation, etc.) • Sponsoring agencies may impose additional land use controls 	<ul style="list-style-type: none"> • Market value is an objective of the sponsoring agency – an appraisal will most likely be needed • Consideration should be given to how the reuse plan will affect market value and ultimately the price paid to the sponsoring agency
Economic Development Conveyance (EDC)	<ul style="list-style-type: none"> • Conveyance can only be made to the approved LRA. • The military department is required to seek market value. However, the military can grant an EDC without consideration if proceeds support economic development for 7 years • Proceeds not used for economic development can be recouped by the military 	<ul style="list-style-type: none"> • Market value will need to be determined – an appraisal must be completed • If LRA develops property it must determine there are enough qualified investments (e.g. new infrastructure) to warrant a discount
Negotiated Sale to Public Entities	<ul style="list-style-type: none"> • Property can only be conveyed to public entity for a public benefit • Same benefit cannot be obtained from sale or PBC conveyance • Congress must approve transaction • If property is sold within 3 years all profits revert to the military 	<ul style="list-style-type: none"> • Market value will determine final sale price for LRA or other public body – an appraisal must be completed
Advertised Public Sale	<ul style="list-style-type: none"> • Property is conveyed by the military through a public bidding process • Military must <u>consult</u> with LRA before taking this approach • The military's objective will be to seek sale to highest responsible bidder 	<ul style="list-style-type: none"> • Because this process requires a bid process, market value is assumed to be part of this process • The establishment of minimal land use controls in the reuse plan may encourage more rapid, market-driven redevelopment, if so desired by the LRA
<p>Source: <i>Understanding Key Issues in DoD's Base Redevelopment & Realignment Manual</i>, An Infobrief from the Association of Defense Communities, May 2006 (abridged)</p>		

One of the first steps in the disposal process is the “screening” of the property to determine if other federal agencies have use for any or all of the facility. In the case of the EMR, no other federal users identified an interest in the facility within the allotted timeframe, which resulted in its designation by the DoD as “surplus” property. In light of this fact, disposal of the

property can potentially occur under one or more alternative methods of transfer that will be dependent upon the type of end user (i.e. public or private) and the intended use.

1. Public Benefit Conveyance

One of the more useful methods of property transfer for a variety of public uses is the Public Benefit Conveyance (PBC). A PBC can be used to convey real or personal property to state and local governments, and certain non-profit organizations, for public purposes at no cost or reduced cost. These purposes include schools, parks, public health facilities, law enforcement, emergency management response, correctional facilities, historic monuments, self-help housing, and wildlife conservation. If this method is selected by the LRA, and approved by the DoD, a federal sponsoring agency may request assignment of the property for purposes of conveying the property to a designated eligible recipient. The sponsoring agencies are responsible for selecting qualified applicants and determining the amount of the discount (if any) from the fair market value of the property. It should be noted that some uses, such as law enforcement, emergency management response, correctional facilities, historic monuments, and wildlife conservation, do not require a sponsoring agency and can be directly transferred from the DoD to an approved recipient. The applicable PBC approaches that are potentially useful in redeveloping the property are summarized below.

Public Safety – Water and sewer systems, as well as medical facilities, can be transferred without cost as a PBC through the endorsement of the U.S. Department of Health and Human Services. Property for use by law enforcement or fire protection may be transferred through the Department of Justice or the Department of Homeland Security.

Education – The U.S. Department of Education can convey land and facilities to public and private non-profit educational institutions on a discounted basis over thirty years. The educational entity actually fulfills the obligation to the Federal Government for the property at the rate of three and one-third percent annually through constructive educational use. Title to the property is conveyed up front, subject to educational use restrictions, and reverter or buy-out provisions.

Open Space/Parkland – The U.S. Department of the Interior is the sponsoring agency for PBC of open space and outdoor recreational facilities including state and national parks, historic sites and other related properties.

2. Disposal of Property for Use by Homeless

As part of the initial screening process for reuse and disposal of a BRAC property, consideration must be given to potential use of the property to provide housing and/or service for the homeless. Property that has been identified for potential use to the homeless can then be conveyed to either an organization that is a representative homeless provider, as approved by the U.S. Department of Housing and Urban Development (HUD), or the LRA. If the property is conveyed to the LRA, it must then make it available to the homeless provider for no cost. The LRA would be responsible for

monitoring the use of the property and ensuring that the homeless provider complies with the legally binding agreement that must accompany all such conveyances.

In accordance with base closure law, the LRA must solicit Notices of Interest (NOI) from state and local governments, representatives of the homeless, and other interested parties in the vicinity of the installation that may be eligible for a Public Benefit Conveyance related to the property. The LRA must give notice as to the timeframe in which NOIs will be accepted for submittal and hold hearings to allow interested parties to provide input into the reuse planning process.

The interests of homeless providers in surplus military property plays an important role in the BRAC process. The federal Department of Housing and Urban Development must approve the LRA's Reuse Plan, which must demonstrate that these interests were taken into account throughout the planning process. The LRA published the required notice and proactively contacted homeless providers in the two county region and made them aware of the BRAC process. No providers came forward with a Notice of Interest in the EMR property.

3. Economic Development Conveyance

Transfer of all or portions of the property could potentially occur by means of an Economic Development Conveyance (EDC) from the Navy. Only the LRA is eligible to acquire property under an EDC. The LRA must demonstrate that the proposed uses for the property will generate sufficient jobs to justify an EDC conveyance, and that the proposed land uses are realistically achievable given current and projected market conditions. In most cases, the Navy will be required to seek fair market value consideration for the EDC conveyance, although it is authorized on a case-by-case basis to grant an EDC for no consideration (typically only used in economically distressed and/or rural areas). The LRA is responsible for developing a Business Plan to support their conveyance request.

4. Negotiated Sale

A negotiated sale can only be transacted with a public body if a public benefit, which would not be realized from a competitive advertised sale or authorized public benefit conveyance, will result from the negotiated sale. The grantee may not pay less than fair market value based upon a highest and best use appraisal of the property. In addition, final approval of the sale must be authorized by Congress. If the property is sold within three years following a negotiated sale, the grantee may be required to remit all proceeds in excess of its initial acquisition costs.

5. Public Sale

If the LRA, after preparing a reuse plan, determines it is in the best interest of the community not to be directly involved in redeveloping the site, it can recommend that the Navy dispose of the property through a public sale. The actual method of sale could include sealed bid, Internet auction, or on-site auction to the highest bidder. Under such an approach, the DoD would make a determination whether to sell the entire site or as subdivided parcels. Property acquired by a private organization or individual is subject to

local land use and zoning controls. The LRA's Redevelopment Plan would recommend any necessary changes to these ordinances to support the type of development desired.

6. MILCON Exchange

This relative recent transfer authority allows the military department to convey a BRAC property to a third party in exchange for the construction of equally valued facilities at some other location(s). The acquiring entity can either do the construction itself (or through agreement with other firms) or may be able to simply put the money up for the military to go out to bid for the new project, without having to go through the MILCON budget process. The value of the exchange is at the property's fair market value (based on an appraisal). The reuse of the property will be guided by market forces and by the land use regulations (zoning) that come out of the reuse plan or that are already in place.

7. Interim Use Leases

The ultimate goal of the military, with regard to BRAC facilities, is to dispose of any surplus property as promptly as possible. One means of facilitating an early or expedited transfer is through execution of an interim lease. Prior to deed transfer there may be opportunities for the LRA to obtain access to certain land parcels or facilities on an interim use basis that could allow economic development to proceed prior to actual installation closure and transfer. There are many examples from previous BRAC rounds where the LRA assumed responsibility for operation of the base's infrastructure in order to facilitate establishment of a master lease agreement that allowed for subleases of specific structures or sites, for civilian uses. This, in turn, created short-term revenue-generating activities and/or helped to minimize the operating and maintenance costs of the properties.

If the Navy determines that the interim use of the property would facilitate state and local economic efforts, and not interfere or delay the final property disposal, it may be inclined to grant such a lease. Further, the Navy may accept less than fair market value if it determines that such acceptance would be in the public interest and fair market rent is unobtainable or not compatible with such public benefit. Before entering into a lease, the military must consult with the Environmental Protection Agency (EPA) and the State of Texas Commission on Environmental Quality to determine whether environmental conditions on the property are acceptable, as discussed subsequently under the section related to early transfer authority, for execution of such an agreement.

B. Appraisals and Fair Market Value

It should be noted that the Navy, or in the case of a Public Benefit Conveyance (PBC) the sponsoring agency, is required to obtain one or more fair market value appraisals of the property prior to conveyance. Therefore, any transfer of property by means of an EDC, negotiated sale, or public sale, as well as certain PBCs, will necessitate preparation of an appraisal. Appraisals must be based on the highest and best use of the property, taking account of all property conditions that are relevant to fair market value. The final determination of fair market value is made by the Secretary of Defense, or a designee such as the Secretary of the Navy, and cannot be negotiated by the LRA. Appraisals obtained by the seller (DoD) are typically not shared with the buyer (LRA), sometimes leading to the need

for the LRA to obtain its own independent appraisal as a basis for conveyance negotiations if there is disagreement as to value.

Determining market value can often appear to be a rather subjective judgment since arriving at a highest and best use for a property is dependent upon a number of assumptions that reflect *potential* future conditions that may exist at the property. Market value is heavily dependent upon assumptions related to market conditions, availability of resources, tenants, environmental contamination, capital costs, building code violations and zoning regulations. An analysis of highest and best use is required to determine the highest economic return that is typically based on the four following tests.

- What uses are *physically possible* for the site in that they could function adequately for their intended purpose?
- What uses are *legally possible* based on compliance with all applicable land use regulations and laws?
- Which uses are *financially feasible* in terms of their ability to provide an adequate return on investment?
- What is the *maximum productivity* of the physically, legally, and financially feasible uses, in terms of generating the highest return?

Based on these criteria, it is evident that the local reuse planning process can have a significant impact on determining highest and best use and ultimately market value. The final reuse plan will address issues such as zoning and other land use controls, estimated infrastructure improvements, public land uses, and redevelopment incentives. Detailed plans that provide proposals for high-density development, for example, may result in higher market value than less detailed or lower density redevelopment plans. While this possibility should not necessarily preclude planning for more intensive land use, it is important that any plan accurately reflect redevelopment potential from an economic perspective, since this planning is likely to affect the purchase price that will have to be recovered by either the community or a private developer.

C. Early Transfer of Property

Under certain circumstances, the military may have unfinished responsibilities regarding a BRAC installation that could preclude immediate transfer of property or otherwise affect the clear-title status of the facility. In the case of Naval Station Ingleside, including the EMR Facility, such a situation will exist with regard to remediation of any contaminated sites at the facility where final cleanup and long-term monitoring by the Navy is expected to continue into the future.¹³ Initial analysis of the environmental data for the EMR Facility indicates that the property is likely not contaminated to the extent that Early Transfer would be needed.

Provisions of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) require federal agencies to complete all environmental remediation actions for

¹³ The Navy's clean-up schedule will be based on the results of the Environmental Assessment (EA) that will be completed, once the Reuse Plan is done, such that future land uses are identified.

contaminated sites before transferring property by deed to a nonfederal entity. Baseline environmental conditions at the property are described elsewhere in the Redevelopment Plan. An amendment to CERCLA in 1996 provided an alternative approach that allows for early transfer of contaminated sites prior to full remediation. Furthermore, through the course of the last several BRAC rounds, the DoD has made significant efforts to expedite the transfer of such sites, including approaches that involve privatization of all or portions of the environmental cleanup process. An early transfer of a military base with privatized environmental remediation typically requires the following interrelated agreements, which are described in more detail below.

- An environmental services cooperative agreement (“ESCA”)
- A guaranteed fixed-price (“GFP”) contract
- Environmental insurance
- Enforceable agreement(s) with the state environmental regulatory agency and/or U.S. EPA

As part of the transfer agreement, the DoD can oversee the entire cleanup process or enact a subsidiary agreement with either a local, county or state government agency, as well as a private entity that represents the interest of a BRAC installation, to oversee cleanup and restoration activities. The governor (or EPA at a Non-Priority List (NPL) site) typically expects that such an agreement be negotiated prior to approving an early transfer through a Covenant Deferral Request.

D. Implementation LRA

If the Ingleside LRA decides to pursue a more active role in the redevelopment of the EMR Facility, other than simply developing a preferred reuse plan, then it will need to become what is known as an “Implementation LRA.” This new entity would need additional powers and authority in order to own property, borrow funds, enter into legally binding agreements and other necessary actions to take a direct role in redeveloping the property.

Under Texas statutes, there is a provision for the creation of Defense Base Development Authorities (Local Government Code; Title 12 – Planning and Development; Chapter 379B). The LRA will need to review its current legal structure and possibly revise it if it intends to take on a more active development role.

V. PUBLIC OUTREACH

A. Property Screening

Following BRAC protocols, on November 11, 2007 the Ingleside LRA published the requisite Public Notice of the availability of surplus federal property to State and local eligible parties, including homeless providers in the Corpus Christi Caller-Times, the largest regional newspaper and in the local Ingleside Index on October 31, 2008. The Notice included dates for upcoming two public workshops on November 14 and December 17, and provided detailed information on the submission of a Notice of Interest (NOI) for Public Benefit Conveyance of property to eligible organizations. The due date for the receipt of NOIs was February 15, 2008, providing for a 96+-day review period. A copy of the newspaper notice is included in Appendix E.

The LRA also sent by certified mail a NOI application package describing the BRAC process and all information needed for submission of a NOI to all Corpus Christi area Homeless Shelters as well as the director of the Continuum of Care. A copy of this information package is included in the HUD Submission document. A list of the seven recipient organizations is also included in Appendix E. Follow-up letters, telephone calls and personal visits were made to these organizations and others by the LRA's Project Manager over the next several months to ensure that the information had been received and that there was no interest in acquiring the EMR Facility through a Public Benefit Conveyance.

In addition to the formal notifications described in the preceding paragraphs, LRA members themselves informed their representative municipal governments of the BRAC process and the availability of the federal surplus property consisting of the EMR Facility.

B. Evaluation of Notices of Interest

In order for a state/local agency to acquire property via a Public Benefit Conveyance (PBC), the LRA must carefully evaluate the intended use and weigh the proposed benefits against the broader goals and objectives of the redevelopment. Due to the special focus placed on applications from homeless service providers under the BRAC laws, these "Notices of Interest" (NOI) require a somewhat different approach than other potential users.

Based on the experience of other LRA's around the country, the following criteria were suggested for evaluating all NOIs for a PBC transfer:

- Each submittal should contain all the required information requested in the published Notice of Interest Application.
- Degree to which the proposed use is compatible with and supports the overall civilian reuse plan for the property, as expressed in the LRA's goals and objectives statement.
- Extent to which the proposed use(s) involve a cooperative regional and/or multi-agency approach.

- Organizational and financial capacity of the applicant(s) to carry out the proposed proposal.

Additional criteria identified for evaluating NOI applications submitted by housing-the-homeless providers concerning potential reuse of the property include:

- Extent to which the proposal includes the necessary “legally binding agreement” commitments that will ensure the property will benefit the homeless in the future on a permanent basis.
- Degree to which the proposed housing-the-homeless use is compatible with and supports the overall reuse plan for the property.
- Degree to which the application achieves the local needs-objectives identified in the “Continuum of Care” and Consolidated Plan.
- Degree to which the proposed housing-the-homeless application can be “co-located” with other related uses on the site.
- Extent to which the proposed program serves to “ensures a balance between economic redevelopment, other development, and homeless assistance.”
- Things that must be kept in mind during this discussion include:
 - Site location and neighborhood
 - Interim and Long-term uses
 - Other possible methods of conveyance
 - Special requirements of certain uses (i.e. security).

C. Continuum of Care

Homeless assistance providers in the greater Corpus Christi region are organized under the HUD approved Continuum of Care (CoC) umbrella. The HUD-approved CoC is Number Tx-501, Corpus Christi/Nueces County CoC.¹⁴ The CoC includes approximately 40 member organizations operating under the primary decision-making group named the Homeless Issues Partnership. The CoC files annual applications for funding with HUD. The City of Corpus Christi also publishes an annual Consolidated Plan and both groups undertake frequent census counts of homeless populations.

Additional information on the CoC and the homeless population in the greater Corpus Christi region is included in Appendix F and in the HUD Submission documentation.

D. Housing the Homeless NOI

No NOIs, and subsequently no Legally Binding Agreements, were received by the LRA from Housing the Homeless service providers for consideration or action.

¹⁴ Although the CoC technically serves Nueces County, member organizations represent the entire 22 county Coastal Bend region. The EMR Facility is located in San Patricio County, which does not have a separate CoC. Homeless services coordination outside of areas without a local CoC are handled by the Texas Balance of State CoC.

E. Other NOIs

No other NOIs from public agencies or not-for-profit organizations were received by the LRA for the EMR Facility.

F. BRAC Economic Summit

On October 9, 2008, the LRA held a regional economic summit to explore the impacts of the BRAC closure decision on the Coastal Bend region. A total of over 200 people attended the Summit, held at the Solomon P. Ortiz International Center in Corpus Christi. The heavily advertised half-day session was open to the public. Introductory comments were made by the LRA, the Director of the Office of Economic Adjustment, Congressman Solomon Ortiz, local providers of economic development services and the LRA consultants. Attendees then broke into five roundtable discussion groups covering the following topics:

- Product Development (land and building assets for economic development)
- Incentives and Marketing (tools available for economic growth)
- Target Industries (what works best in the region)
- Workforce/Education (what needs to be done to match the needs of industry?)
- EMR Facility (what new uses are possible?)

The RKG Associates consultant team served as facilitators for each of the roundtables, assisted by staff from the Corpus Christi Economic Development Corporation and Workforce Solutions of the Coastal Bend. Attendees engaged in meaningful discussions and provide solid input into the economic issues affecting the region as a result of the BRAC decision.

Several ideas for the reuse of the EMR Facility were raised in the sessions, which included the following major “themes” (in no order of priority):

- Public access to the waterfront for fishing, bird watching, kayaking, etc.
- Terminal for cruise ships
- Recreational marina with supporting commercial uses such as restaurants.
- Boat storage and repair
- Shipbuilding and maintenance
- Bulk commodity transfer (ship to rail)
- Military, Coast Guard or Homeland Security uses
- A mixed-use “marina village”
- Medical facility
- Educational facility, such as a technical training school
- Research and development of alternative energy, including bio-fuels and wind
- Expansion of abutting uses (marine fabrication)

These ideas did not take into consideration the economic or physical feasibility of developing the EMR Facility to accommodate a particular use. For example, today's large cruise ships require specialized facilities including deep draft wharves with heavy-duty utilities systems, large parking areas and extensive shore-side facilities. This type of use, if feasible from a market perspective, might be better suited for the existing facilities at Naval Station Ingleside, rather than the EMR Facility. The distance of the upland portion of the EMR property to navigable water would require very extensive dredging and seawall construction to support bulk commodity uses, and would then compete directly with the extensive Port Authority facilities in the region. Similarly, educational and medical uses would require all new buildings and infrastructure and if located at the EMR, they would be in an area that is not near other supportive uses (housing, retail, etc.) and which might be better suited for NSI with its existing facilities and buildings. Lastly, the concept of using the site for Homeland Security or other Military uses (including the Coast Guard), while possible, was not followed up with when these federal agencies had an opportunity to obtain the property during the initial BRAC screening process, indicating that they probably do not see a need for additional facilities in this area. No similar users have approached the LRA in the interim.

The BRAC Summit raised several important points regarding both the reuse of Naval Station Ingleside and the EMR Facility and their respective roles in the regional economy. The key strategic issues include the need to match education with the needs of current and future industries, the continued promotion of the region's exceptional "quality of life" and support for tourism, and the need for integrated economic development services in support of large and small businesses operating in the region. The concurrent Economic Diversification Strategy for the Coastal Bend region takes these elements into account in developing an implementation plan for enhancing the region's economy.

VI. REDEVELOPMENT ALTERNATIVES

This chapter provides the results of an analysis of different redevelopment options for the EMR Facility property, based on the public input received during the BRAC Summit, the goals and objectives of the Ingleside LRA and on current and anticipated regional and local market conditions. Although the LRA's goals are focused on economic development and job generation, public input received by the LRA during the planning process also indicated the desire for enhanced public access to the waterfront. Uses that balance these primary objectives were considered the most important in the analysis of alternatives.

Residential uses were not considered for the EMR site due to the LRA's economic development focus on job creation and retention (see the LRA's Goals and Objective in Section II.B). Although residential use is technically allowed by zoning, the EMR Facility is located in a heavy industrial area that would not be considered appropriate for housing from a public safety or health and welfare perspective.

A. Market Conditions

As summarized in Section III.C above, the region has experienced relatively slow growth in population over the past few years, with most growth occurring in the City of Corpus Christi and in Aransas County. Employment growth has been steady

In conjunction with the regional Economic Diversification Strategy conducted by RKG Associates for the Ingleside LRA, an analysis of the regional supply and demand for real estate was undertaken, with specific focus on waterfront property similar to the EMR Facility. This analysis revealed that there is a substantial amount of both traditional (non-waterfront) and water front land suitable for industrial use available for development in the region, with most of the maritime related land owned or controlled by the Port of Corpus Christi Authority. The demand for waterfront industrial land is intermittent, focused on the needs of bulk commodity producers or shipper, petrochemical and specialty users. Much of the available land areas have direct water access on dredged channels and existing bulkheads (most of which is located along the Corpus Christi ship channel upstream of the Harbor Bridge), allowing for relatively easy development. These parcels are listed for sale (or lease) at \$100,000 to \$150,000 per acre; however, the ultimate price is dependent on the type of user and its economic benefit to the Port Authority (which prefers to lease land). Most of these parcels are relatively large and aimed at industrial or bulk-commodity users. There are few existing sites in the market with water access suitable for small-scale industrial or commercial development (under 5 acres), although some of the larger tracts could be subdivided. Appendix H provides maps showing the extent of the Port's development property in the region.

Non-waterfront industrial land throughout the region sells from under \$20,000 to \$100,000 per acre depending on location, access and amenities, with absorption also being somewhat

infrequent (few transactions per year). Additional detailed regional market information can be found in RKG's Economic Diversification Strategy report.

The redevelopment of Naval Station Ingleside by the Port Authority and its Master Developer will bring a substantial amount of new property onto the market within the next two years. This will include fully developed waterfront industrial land and facilities as well as a wide range of light industrial, office, institutional and residential properties. Any reuse of the EMR Facility must take into account this new supply. Appendix I provides aerial photos of the NSI "campus," the adjacent 433 acres of land slated for redevelopment, as well as the preliminary "vision" of the master developer for the site.

The highest valued waterfront land in the region is for residential or mixed-use development, with a few parcels located in or near the more active "resort" areas listed for sale in excess of \$700,000 per acre. The actual number of sales over the past several years has been modest, however, with most waterfront sales consisting of relatively small parcels with limited development capacity. Commercial properties in other locations within San Patricio County, including some with superior locations directly on major highway routes, typically have sold for under \$50,000 per acre. Larger undeveloped tracts of land, appropriately zoned or capable of being rezoned, are valued at \$10,000 to \$20,000 per acre. As another indicator of market value of waterfront property, if the \$2.6 million purchase price of the EMR Facility site in 1997 is averaged over only the upland acreage (rather than the entire 150 acres including the submerged land), the price per acre worked out to be just under \$58,000. There is no evidence of significant price appreciation in the market since that transaction.

The EMR Facility site, located adjacent to other industrial uses and outside of the commercial center of Ingleside, while technically not zoned, is within the City's Industrial District that earmarks land uses for economic development purposes. Without direct deep water access (other than via the 800-foot wooden pedestrian walkway), the site does not directly compete with the abundant amount of acreage available from the Port Authority. Extensive dredging and filling would be required to permit deep draft vessels proximity to the upland areas of the site for more traditional water-dependent activities. Limited dredging and improvements to the existing EMR pier structures may allow for less intensive waterfront industrial and commercial uses. The site benefits from its close proximity to the Gulf of Mexico and lack of height restrictions from bridges or other obstructions. The ability of the limited upland area (approximately 45 acres) to support an intensive enough use to warrant the cost of dredging (assuming that such use would be permitted under Federal, State and local regulations), is questionable. As such, the highest and best use of the EMR Facility property would be for water-dependent light industrial or commercial uses that can cost-effectively utilize the existing pier structure and dredged areas, and that do not have the need for moving large amounts of cargo to and from berthed ocean-going ships. These uses could include businesses that provide support services to the region's petrochemical industries such as those that service off-shore oil rigs or that provide tug or barge services. It could also include smaller-scale ship and boat building and repair, provided that access to the water for launching or hauling was potentially available either on the site or nearby.

The EMR Facility could also be used for commercial or recreational marina activity including the in-water berthing of small boats as well as maintenance, repair and re-fueling. Although a detailed study of the demand for marina services (slips, moorings, etc.) was not conducted, an assessment of the market indicates that while there is a relatively large supply of marinas in and around Corpus Christi Bay and the Aransas Pass/Port Aransas/Rockport area, demand continues to increase by recreational boaters, many of whom have moved to seasonal homes on or near the water. At least two large facilities are in the planning stages in the region, one in Aransas Pass (Conn Brown Harbor) and another in Ingleside (Live Oak Preserve/Marina). The feasibility of developing additional recreational marina capacity would need to be more carefully analyzed if this use is included in the Preferred Redevelopment Plan.

There is also potential for expanding the region's growing research and development (R&D) activity, including marine research and alternative energy. A major federally funded wind energy research facility for testing large wind turbine blades is being developed directly across the Jewell Fulton canal from the EMR site. In addition, the University of Texas' Marine Sciences Institute, a graduate research facility, is located on a 70-acre campus in nearby Port Aransas. The EMR site could accommodate any number of public and private research or product development efforts that require smaller vessel access to the Gulf of Mexico or the large bay and estuary systems around the region. The growing importance of bio-fuels and the potential for using algae or other ocean plant life for energy is another area of potential research and development that could be supported by the EMR site.

B. Alternatives Evaluated

In order to provide the Ingleside LRA with a range of potential redevelopment scenarios to consider for the EMR Facility, the consultant team evaluated a wide variety of uses that are considered technically feasible. These uses were then analyzed relative to their concurrence with the goals and objectives adopted by the LRA.

1. Open Space & Recreation

One alternative that was initially brought up during the very early stages of the LRA's planning for the EMR Facility as well as during the BRAC Summit, was to use the property to provide public access to the waterfront. This could take the form of a City (or County) park and recreational facility including use of the pier for public access and fishing.

Under this reuse scenario, the property could be conveyed to the City of Ingleside or San Patricio County through a Public Benefit Conveyance under the Federal Land to Parks Program of the U.S. Department of the Interior/National Park Service. Under this program, the land would transfer at no cost but would need to be used for approved publicly accessible uses forever.

The City and/or County would need to incur capital costs for re-furbishing or removal of the buildings, improvements to the utilities and infrastructure serving the site, and for providing suitable public facilities such as picnic areas, a boat ramp, marina slips, handicap accessible sanitary facilities, etc. The City/County would also incur on-going

maintenance and staffing costs as well as be required to provide for public safety. A portion of the operating costs could be recouped from user fees including park entrance and use charges, boat lip rentals, space rentals to concessionaires, etc. Typically, user revenues only offset a portion of the annual operating costs for such facilities. The balance would need to come from the hosting jurisdiction's tax base.

Very few new jobs would be created under this alternative. The City and/or County would need to add personnel for day-to-day operations and management, which might range from 1-5 new positions. Order of magnitude costs for the conversion of the EMR site to a public park would be in a range of \$1 to \$5 million for capital expenditures (upland areas and pier) plus on-going annual costs of \$300,000 to \$500,000 net of revenues.

2. Single User Industrial Site

The property's location adjacent to heavily developed industrial facilities suggests that a marine-industrial user might be interested in the site. If direct access to the La Quinta ship channel were required, then some dredging and filling would be needed, depending on the needs of the user. The market data suggests that there is a relatively large supply of waterfront industrial land in the region, much of which is controlled by the Corpus Christi Port Authority and located along the Corpus Christi Ship Channel upstream of the Harbor Bridge. In addition, the redevelopment of Naval Station Ingleside will bring additional fully-developed and fully-serviced maritime-accessible industrial and commercial land onto the market within two years.

Under this scenario, the site could be transferred "as-is" to the end user, who would be responsible for any improvements. The method of conveyance would depend upon the circumstances, and could include an Economic Development conveyance to an "implementation" LRA, or via Public Sale directly by the Navy. The number of jobs created under this scenario would vary with the user. However, if conveyed by Public Sale there is no way to assure that new job generation would occur or when development would begin.

3. Multi-User Marine-Related Business Park

This alternative focuses on the needs of the market for light-industrial and commercial space for a variety of users desiring access to the water, and for the utilization of the existing piers. The redevelopment concept would be to have a development entity¹⁵ create individual land parcels for subsequent resale or lease that can accommodate a wide variety of potential users. The pier structure would be owned and managed by the development entity, or ultimately be put into joint ownership among parcel owners, which would allow for its continued use by tenants, owners and/or others.

Potential types of uses that could be tenants in a *marine business park* include:

- Boat building and repair

¹⁵ The development entity could be a private (master) developer, the implementation LRA or its designee, or a parcel owner or lease.

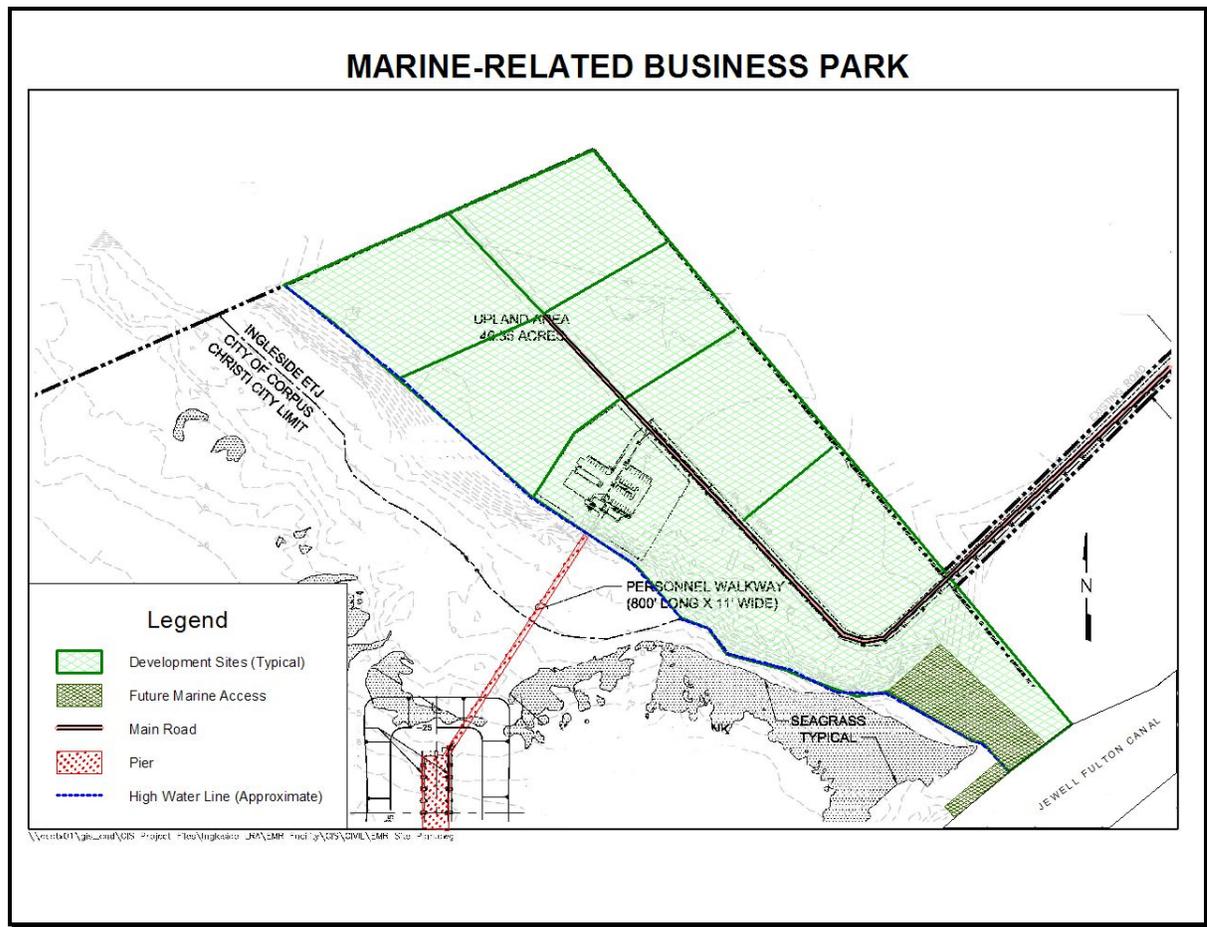
- Ship's chandlery services
- Marine electronics repair, installation, testing and service
- Offshore oil rig services
- Barge and tug companies
- Component fabrication and testing
- Research and development companies or institutions, including alternative energy or marine sciences
- Marine related educational services
- Marine safety services
- Pilot boats operations and administration

Not all users would necessarily be marine-dependent and the plan could include a mix of more traditional light-industrial uses with maritime ones. The subdivision of the 45 acres of upland area could be done to accommodate individual firms or subsequent developers for the construction of one or more multi-user flex-style buildings designed to serve smaller businesses. Supporting uses such as a restaurant or a shipping/copy center could also be developed on the site, if allowed by zoning (that will be developed by the City of Ingleside).

Figure 9 provides a simple graphic illustration of how the site could be subdivided into individual parcels of 2-5 acres each. The existing buildings would remain and be converted to use as shops or offices for tenants, including, the marina manager's office.

Shared use of the piers would require some additional capacity in the form of slips and/or floating docks, depending on the needs of the users and the size of the vessels docked there. Additional dredging may also be required and a launching area or boat ramp would be needed. A more thorough engineering evaluation of the pier will also be needed in order to evaluate the number and size of vessels that could be accommodated. Under this scenario, the EMR "cage" structure could either stay in place, or be removed if necessary. Removal may or may not have a cost depending on the scrap value of the metal.

The conveyance of the property from the Navy could be accomplished via direct public sale or by Economic Development Conveyance to the LRA, although under the former method there would be no guarantee that the desired development would occur and jobs created. Appropriate zoning (or a mutually acceptable development agreement) would need to be put in place by the LRA and the City of Ingleside to govern the types of uses allowed.

Figure 9 – Marine Business Park Concept

The cost of developing a marine business park would include engineering and planning for land subdivision, possible extension of the street or addition of driveways into individual building sites, extension of utilities to the sites, upgrading of existing buildings, if needed, on-going maintenance of the pier system and construction of new slips, docks and other waterside improvements. Order of magnitude capital costs would be in the \$500,000 to \$1.5 million range while annual operating costs, including marketing and management, would be in the \$250,000 to \$750,000 range, which would be offset in whole or in part by revenues from land sales or leases (assuming tenants built their own facilities) and pier rental income.

4. Recreational Marina & Commercial Business Park

This scenario is similar to the previous one except that the marine-related uses are focused more on recreational boating and commercial fishing use of the waterfront, along with the development of a more traditional industrial/business park on the upland portion of the property. Under this concept, the shared use of the pier would entail the need to construct boat slips and the establishment of a leasing system for seasonal use. Shore side activities relating to the marina could include boat building, maintenance, fueling and repairs along with supporting retail opportunities (restaurant, marine supplies, fishing gear, etc.). The rest of the land could be subdivided as shown in Figure 9 and sold or

leased for private development of commercial activities. The waterfront location would be the major attraction for businesses to locate here. A marina would also permit public access to the waterfront for a variety of activities, including boat launching, boat storage, kayaking, fishing, site seeing, bird watching, etc. which would enhance tourism in the region.

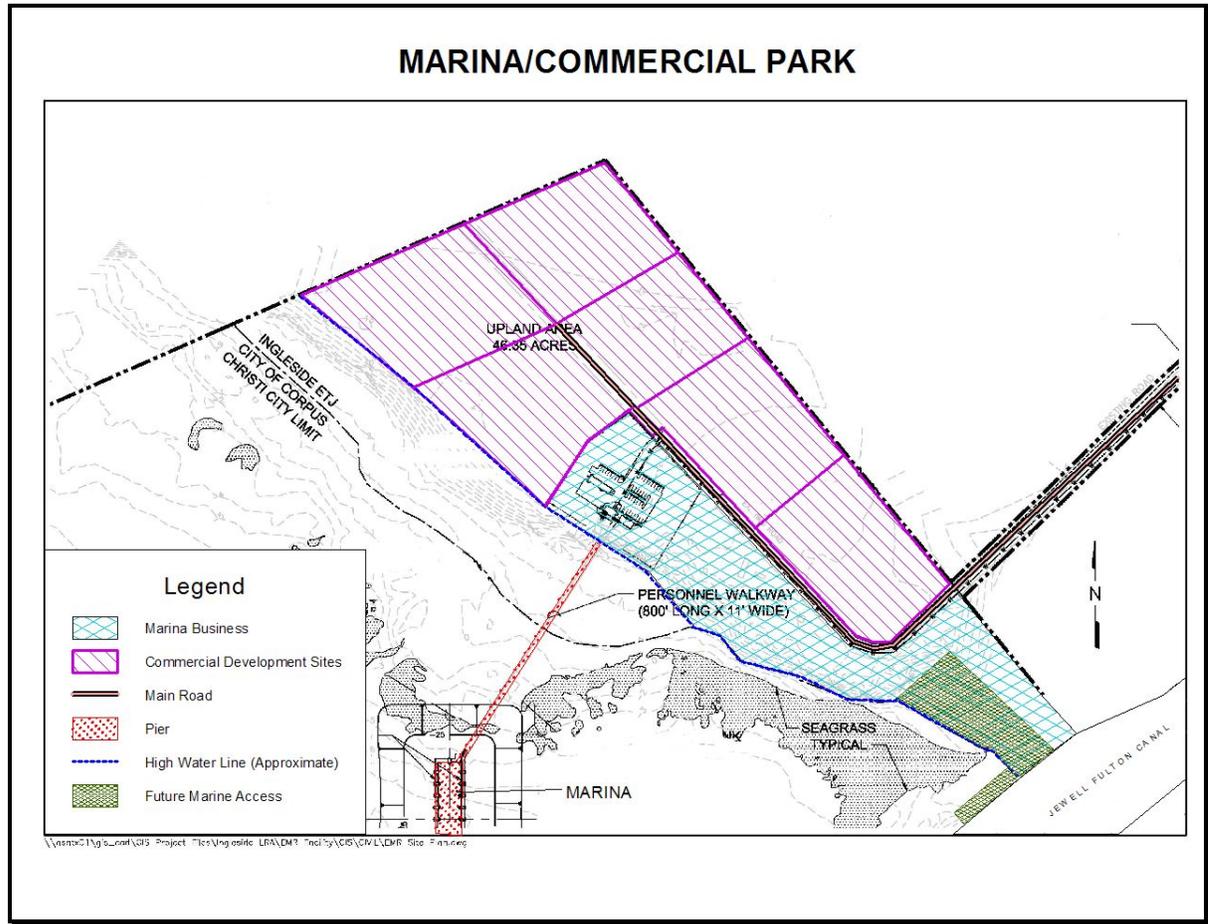
Other tourism-related uses that could potentially be accommodated under this scenario include berthing for one or more offshore gambling boats that take customers outside the state limits (7 miles) and operate casino-style games of chance along with supporting food, beverage and entertainment activities. The marina could also host recreational fishing boats, including individual charters as well as larger “party” fishing boats that operate on a regular schedule. If successful, and the marina/business park becomes a destination, the potential for a hotel on the site might also develop in the future. These uses would result in significant “spill over” economic benefits to the local communities.

Public access to the site could eventually result in a demand for retail including restaurants and other tourism-related activities. This alternative could also result in the property being connected to downtown Corpus Christi and to the redeveloped Naval Station Ingleside by way of a water taxi, thereby increasing its accessibility.

Figure 10 shows the site with two major development “zones,” a marina-related business zone along a portion of the waterfront that includes the existing structures, and a light industrial/commercial zone for the rest of the property. This latter zone would accommodate a wide range of smaller-scale industrial, service and repair businesses similar to those found in other commercial areas and industrial parks in Ingleside and the wider region. The size and location of the zones would require a more detailed analysis to define the market potential for the possible uses of the site.

Conveyance could be in the form of private sale (if a private developer was interested) or via EDC to the LRA. As in the previous alternative, the LRA would have little control over the type or style of development, or the pace of construction, if the property were conveyed by public sale to the highest bidder. Under an EDC, the implementation LRA could serve as the developer, or contract that responsibility to a qualified third party.

The costs to develop and operate the site would be similar to the previous alternative, depending on degree of activity and the potential users.

Figure 10 – Combined Commercial Business Park and Public Pier

5. Interests in the EMR Facility

To-date, three potential users have indicated an interest in the EMR Facility property.

- Kiewit Offshore Services informally indicated to RKG Associates that it might have an interest in acquiring the site in order to support the growth of its on-going operations on the abutting parcels. No specific details were provided, other than they were considering the EMR site as one of their expansion options.
- The LRA received a letter from Signet Marine Services, which operates a marine services facility on the adjacent Jewell Fulton canal, indicating that they would like to use the EMR site to expand their operations and hire 8-10 additional workers.
- A private boat builder is seeking to construct a facility for the fabrication of large luxury yachts along with providing on-going maintenance and repair services. This company currently produces its yachts overseas and is interested in moving the bulk of its operations to this country. It believes the workforce is available in the region and that the site would be ideal for their needs, resulting in the eventual creation of up to 500 new skilled jobs.

C. Feasibility of the Alternatives

The feasibility of each of the Alternatives was analyzed in regards to the market analysis and how each meet, or do not meet, the goals and objectives of the Ingleside LRA which are focused on the creation of new job opportunities for residents of the Coastal Bend region.

1. Open Space & Recreation

Because this alternative does not meet the job generation and economic development goals of the LRA, and because no foreseeable funding is available at the local level for needed capital improvements and on-going operational costs, this alternative was not considered further in the redevelopment plan.

2. Single User Industrial/Commercial Site

To-date, there has been no widespread interest in the property from potential users, despite the LRA's extensive public outreach efforts. This is not surprising given the market data that indicates that the demand for waterfront industrial land is sporadic and that there is an ample supply of various well-located sites, many with superior facilities and access. Three firms have expressed interest in the site, including the abutters Kiewit Offshore Services and Signet Marine Services, along with Calixas Holdings LLC, a yacht manufacturer.

The benefits of having a single user is that property might be put to use immediately, it would go on the County and City tax role (unless abatements were approved) and the development costs would be the responsibility of the new owner. The downside is that there is always a possibility that the land could be "banked" for some unknown future use, thereby not contributing to the goals and objectives of the LRA. The City of Ingleside only has land use control through its zoning ordinance, or through an agreement with the property owner, and cannot force development to occur.

If a single user was identified for the property, the LRA could recommend that the Navy convey the property either by way of public sale or by way of an Economic Development Conveyance through the LRA. Under a Public Sale to a single user, the economic development and job generation potential for the property is not assured, since the property would be auctioned to the highest bidder with no assurances that a specific user with a plan in hand would submit the high bid. In addition, under these terms, the LRA and the City of Ingleside have little control on when, or even if, redevelopment will occur (and employment takes place). A public sale would allow the Navy to receive money for the property (which would be considered fair market value by definition), based on the proceeds of the auction.

Under an EDC, the implementation LRA could acquire the property and then sell or lease it to the end user under some type of development agreement that would help ensure that the LRA's job creation goals were met.

3. Multi-User Marine-Related Business Park

There are no directly comparable facilities in the region with which to evaluate the market potential of the concept. Because of the relatively stable market for industrial and commercial waterfront property in the region, it will likely take a substantial period of time for a marine-related business park, if developed and brought to market, to fill with tenants. However, anecdotal information indicates that there are smaller marine-related or marine-dependent businesses throughout the region that might be interested in location that provided access to the water and facilities for their vessels. The relatively small size of the site and the long development cycle would make it difficult to attract a private developer to acquire the property from the Navy at fair market value and then invest additional funds for infrastructure, management and marketing while obtaining a reasonable return on its investment. Therefore, using an Economic Development Conveyance is the best approach to obtain the property for this redevelopment scenario.

Under an EDC, the Implementation LRA would acquire the property and serve as the developer (either directly or by contract to others). This allows for more control over the development process and the end result, and would enhance the potential for public involvement in the financing of future development by way of grants, loans and other economic development tools. The LRA may be able to pay the Navy fair market value, depending on a financial analysis developed as part of the required EDC business plan. If the redevelopment of the EMR site is not financially feasible with the inclusion of a payment to the Navy for the land, then the LRA may request a discounted or “no cost” EDC.

Based on current market conditions, it is likely to take an extended period of time to fully develop and occupy all 45 acres of upland and to utilize the 1,480 linear feet of pier that extends out into the bay. It is also unlikely that a single small user, or a private developer, would be able or willing to make the capital improvements necessary to carry the project through to completion. For planning purposes and based on the general market information analyzed for this study and for the Economic Diversification Strategy, it is assumed that up to 3 to 5 acres per year could be developed for occupancy by users, representing approximately 1 or 2 marine-related businesses per year (for an average of 25,000 to 40,000 square feet of built space per year) and resulting in a 9 to 15 year absorption period (assuming a total of 6-8 lots are developed, with some of them utilized for multi-tenant facilities as shown in Figure 9). The employment potential of the site if developed under this alternative would depend on the types of businesses that are started. However, assuming typical industry standards of 500 to 1,000 square feet of built space per employee and an average floor-area ratio of 0.20 to 0.25, the EMR Facility site could potentially support 400 to 800 jobs when fully built out and occupied.

4. Recreational Marina & Commercial Business Park

Similar to the previous alternative, there is little definitive market data to support the need for a marina and supporting uses along with a traditional business park at the EMR site. Sales data for San Patricio County indicates that commercial and industrial development on the scale of what could best “fit” onto the upland portion of the EMR

property has been fairly steady, but at a relatively slow pace of perhaps 20,000 to 40,000 square feet of building space per year.

This alternative would require a development entity to manage the creation of lots and the marina, and to market the facility to a wide variety of potential users. Investment in the piers (slips, docks, etc.) would also be required to support recreational uses including transient and seasonal boat slips, repair and fueling services and other supporting uses. Although the development of the marina and at least some of the supporting commercial activity could be done immediately, it is likely to take several years for the entire site to be occupied. Because the business park would be marketed to a wider range of businesses (not specifically marine-related), absorption will be somewhat faster than for the previous alternative, estimated to be in the range of 4 to 7 acres per year supporting approximately 30,000 to 50,000 square feet of building space, resulting in 6 to 11 year build out period. The site could support from 10 to 20 or more individual businesses, depending on their size and facility requirements.

Employment projections would be similar to or perhaps slightly greater than the previous alternative, depending on the amount of commercial versus industrial space and the size and density of businesses that choose to locate there. The recreational marina component supports the growing tourism market in the area, with its spin-off economic benefits.

5. Summary of Alternatives

The four alternative redevelopment scenarios described above are summarized in the following table.

Alternative	Description	Potential Jobs	Feasibility	Comment
1 – Open Space/Recreation	Public Park with marina	1-5	Possible with adequate funding	Few jobs, requires public subsidy
2 – Single User Industrial Site	Marine-related services or manufacturing	Varies on use	Possible, based on interest shown by firms	No assurance of significant job creation, no control on development timing, land could be “banked” for unknown future use, no public access
3 –Marine Business Park	Multi-user marine manufacturing, services and light industrial; commercial marina	400 – 800 when fully developed	Possible, requires development entity to invest funds to support marketing & operations	Allows for multiple users, supports marine-related companies or R&D requiring water access
4 – Recreational Marina and Commercial Business Park	Multi-user light industrial, services, commercial activity, pier with public access, recreational marina	400 – 800+ when fully developed	Possible, requires development entity to support marketing & operations	Appeals to broadest market share, supports marine-related companies or R&D, provides public access to water, possible commercial & tourism related uses

VII. PREFERRED REUSE

A. LRA Decision

After review and discussion of the redevelopment Alternatives for the EMR Facility, including a public hearing on the alternatives, the Ingleside LRA selected a hybrid of Alternatives #3 and #4 as their Preferred Plan for the redevelopment of the site. The Preferred Plan focuses on marine-related industrial and service uses as the primary business activity at the site, with the inclusion of a commercial component that would include non-marine light industrial and R&D uses along with limited retail and service businesses that support public access to the waterfront. The Preferred Plan also encourages the development of a marina that utilizes the existing EMR pier structure for both recreational and commercial uses.

Under the Preferred Plan, the waterfront area (approximately 8-10 acres) and pier structure will be utilized for commercial applications including a public marina and related activities. The remainder of the property will be developed as a multi-user business park that emphasizes, but does not necessarily restrict, marine-related light industrial and service uses such as boat building and repair, marine electronics, marine transportation and administrative services, design and engineering services and other uses that benefit from the proximity to and access to the water. Other desirable uses include research and development, particularly those involving maritime uses or renewable energy, as well as educational uses that service the needs of local industries.

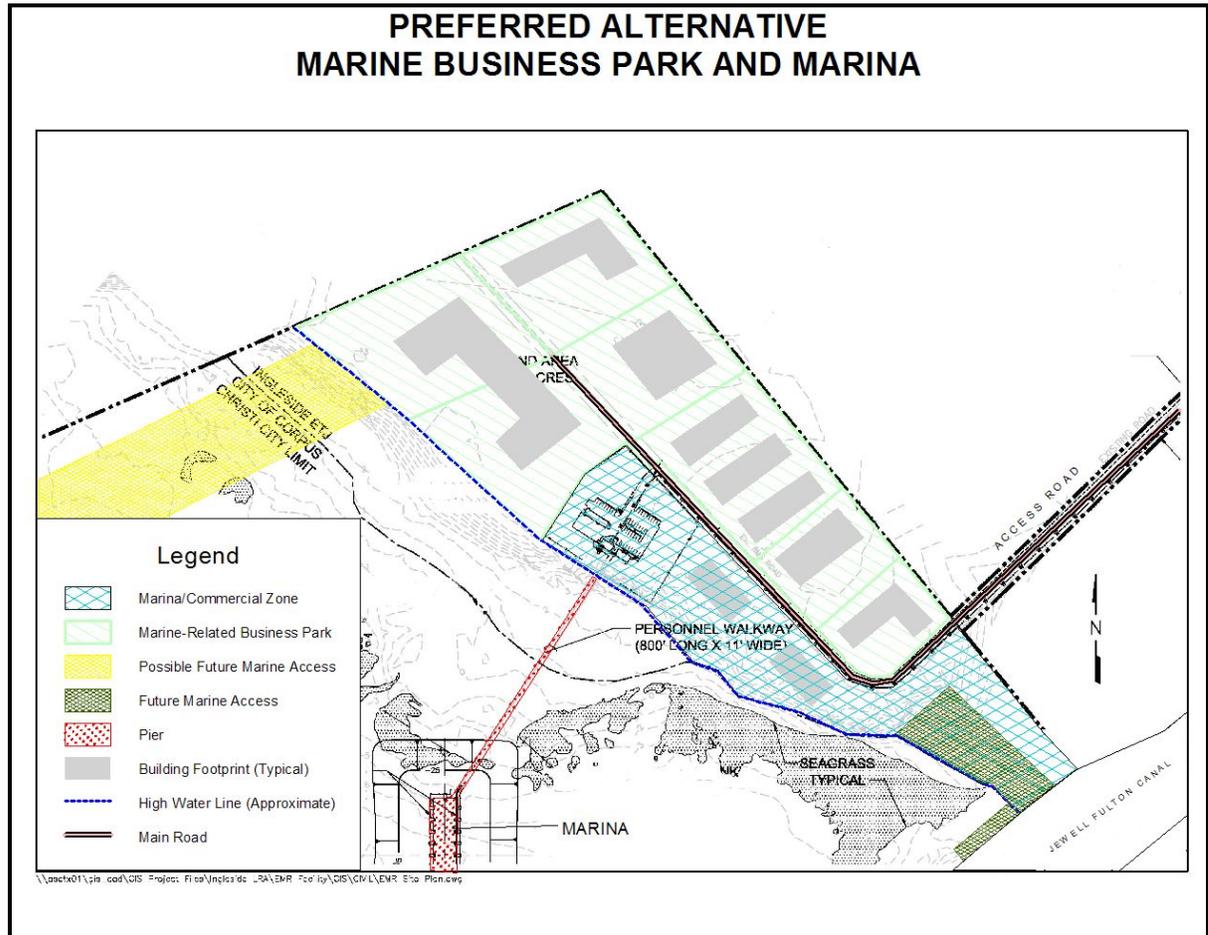
The plan envisions that the upland portion of the EMR site will be subdivided into individual lots ranging in size from approximately 1 to 10 acres for either sale or lease and targeted toward end users as well as developers/investors. One or more lots may be developed for multi-tenant buildings, perhaps with flexible space that can accommodate smaller users requiring high-bay shop or fabrication facilities as well as office and sales areas. Areas nearest the shore and pier will be used for marine-related uses requiring direct access. Figure 11 graphically illustrates the land use layout for the preferred plan.

The existing infrastructure such as the access road, parking area and buildings is suitable for immediate use by potential users/tenants. Very little new investment in infrastructure will be required, other than to bring utilities to individual lots or buildings as they are developed along with driveways, parking areas and building pads. The existing pier structure is suitable for light to medium duty use as a recreational and commercial marina. Additional analysis will be needed to determine any use limits that may exist for the pier structure and to design the marina to include slips and dockage space.

An additional improvement to the property that would increase its viability for marine-related uses is to develop access to the Jewell Fulton canal on the eastern side of the property. This will entail filling approximately 1-2 acres of land between the access road and the canal, and the construction of a bulkhead and wharf structure, and perhaps a launching ramp. This will permit prospective tenants direct access to the canal for the shipment or receipt of cargo, or

for the launching of vessels (with the appropriate equipment). Future improvements to the waterfront could include dredging an additional access channel from the La Quinta channel up to the upland portion of the property and creation of additional launching or berthing capacity. This will depend on the needs of future tenants and the availability of funding for this work.

Figure 11 - Preferred EMR Redevelopment Plan



B. Implementation

In order to implement the Preferred Redevelopment Plan, a development entity will be needed to administer and manage the subdivision of the property and the creation of lots for re-sale or lease to users, as well as develop and operate (or oversee the operation of) the marina component. The development entity could be a private company or individual or a public organization. A disadvantage for a private developer is that the site is relatively small and the redevelopment time frame relatively long, which would limit the return on investment (ROI) that the developer could expect. The advantage of a public sector development entity is that in addition to having a lower ROI requirement, it would be eligible for state and federal grant monies to help support the redevelopment plan. This may prove to be critical in order to create as many jobs as possible in the shortest period of time.

1. Ingleside LRA Role & Transition (Implementation LRA)

Because of the time and investment needed to attract users to the site, the Ingleside LRA, which jointly represents the jurisdictions that are the most impacted by the pending employment losses resulting from the 2005 BRAC decision (City of Ingleside, San Patricio County, City of Corpus Christi and Nueces County), seeks to retain its oversight role for the redevelopment of the EMR Facility in order to ensure that widespread public input and representation is maintained throughout the redevelopment process. To do so requires it to change its current charter and authority and to become an *Implementation LRA* that has the legal powers to own property, borrow monies, receive grants, manage, lease or sell property, and other necessary functions to undertake the development. This can be accomplished by vote of the underlying jurisdictions' governing bodies under Texas Statutes Chapter 379B.¹⁶

The LRA may then seek to acquire the EMR Facility from the Navy utilizing an Economic Development Conveyance as described under BRAC rules and regulations. Although conveyance by way of Public Sale may generate the highest monetary return for the government, it does not ensure that the maximum economic development will occur at the EMR Facility in order to offset the very serious impacts resulting from the closure of Naval Station Ingleside.

The implanting LRA will be governed by its governing board and administer the redevelopment efforts using a combination of staff and contract services. All required property maintenance services can be contracted for from private providers or from the City of Ingleside. Marketing of the site can be done by LRA staff augmented with hired brokerage services from experienced real estate professionals. Management of the pier and marina can be done either in-house or on contract with a marina management company. Grant writing and administration will be done by LRA staff, assisted by the economic development departments within the other jurisdictions represented on the LRA.

2. Preliminary Financial Proforma

In order to evaluate the feasibility of developing a marine-related business park and marina, a preliminary financial analysis was conducted to determine the revenues and expenditures necessary to support the LRA's job creation goals. The financial analysis is based on the following assumptions regarding the redevelopment of the site:

- The Ingleside LRA is reconstituted as a Defense Base Development Authority per Chapter 379B (or other applicable statute).
- Transfer of the property to the LRA takes place by mid-2009, either through deed conveyance or through a lease in furtherance of conveyance.

¹⁶ Title 12 of Local Government Code, Subtitle A - Municipal Planning and Development; Chapter 379B Defense Base Development Authorities. This is the organizational model used in Beeville for the redevelopment of the former military facilities there.

- The LRA immediately begins to develop and market the property to potential end users, either through the use of staff resources or by way of contracted development services.
- The LRA seeks grants or uses bonded debt to cover initial operating expenses and construction of the marina and other necessary improvements. Alternatively, the underlying LRA member jurisdictions invest funds in the LRA to support the redevelopment of the EMR site.

a) Capital Improvements

In order to immediately initiate redevelopment of the EMR Facility, a series of expenditures will be required for the LRA to effectively plan for, and begin marketing the Marine Business Park and Marina. These capital improvements, which may range in cost from approximately \$760,000 to \$1,180,000, include:

- **Site survey and subdivision plan** – this engineering effort can be completed very quickly given the site data available from the Navy. It will include the layout for lots ranging from 1 to 5 or more acres along with recommendations for bring utilities to each lot from the existing building enclave. Estimated cost: \$20,000 to \$30,000
- **Engineering evaluation of the pier and cage, and design of the marina** – this will assess the capability of the pier structure to support recreational and commercial marine uses, building of the analysis conducted by Weston Solutions for the reuse plan (see Appendix B – Facilities Assessment). It is envisioned that the marina will be comprised of floating dock systems attached to the piers and allowing for a wide variety of boat sizes to be accommodated. Estimated cost: \$40,000 to \$50,000.
- **Construction of Marina improvements** – Depending on the final design, this will entail acquisition and installation of floating docks, walkways, support pilings and utilities on the existing pier structure. An estimated 1,800 to 2,000 linear feet of dock is used as the basis for costing, however, this may change based on the final design. Estimated cost: \$500,000 to \$700,000.
- **Construction of Jewell Fulton bulkhead & wharf** – to the left of the entrance to the EMR property, there is the potential for accessing the Jewell Fulton canal by bringing the land up the grade and constructing a seawall and a possible wharf. This would give users in the Marine Business Park direct access to the water for the receipt or sending of cargoes or for launching vessels. The final design will depend on what can be permitted by the State, and may include a launching ramp for hauling boats in and out of the water. It will entail filling approximately 1 to 2 acres (a roughly 250' by 400' area) and installation of some type of bulkhead.¹⁷ Estimated cost: \$200,000 to \$300,000.

¹⁷ This improvement is believed necessary due to the distance of the upland portion of the EMR site to deep water. The shoreline along the bay is very shallow for several hundred feet, and providing access on this side will entail substantial dredging and filling, and potentially impacting the numerous seagrass beds in that area. Access to the Jewell Fulton canal is the shortest and least damaging alternative.

Grant funds may be available for some of the marina and seawall construction through such programs as the federal Boating Infrastructure Grant program, the Economic Development Administration, state and other sources.

b) Revenues

The LRA will generate revenue from the redevelopment of the EMR Facility through the sale or lease of land for the subsequent construction of facilities for private companies and/or public not-for-profit organizations. It will also generate revenues from operating the marina (or leasing the marina to a third-part operator in exchange for a fee). Because current and forecast market conditions for marine industrial and commercial uses are stable, showing only sporadic growth over the past decade, it is anticipated that it will take up to 5 to 9 years for the developable upland portion of the EMR site to be sold or leased, at an average absorption rate of approximately 5 acres per year, starting in 2010.

A typical end-user of the a parcel of land in the Marine Business Park will be a small business that provides services to other marine industries or to the petrochemical industry, or is involved in research and development or product fabrication and assembly. These smaller businesses do not have the capital to invest in land and typically prefer to lease facilities. Therefore, the LRA has assumed that it will initially lease land to end users, or to developers who will construct the facilities for the end users. If a firm desires to purchase rather than lease one or more parcels, the LRA can decide to sell if it deems it worthwhile. The key deciding issue will be the number and quality of jobs that can be created on the property. Although selling land will generate larger revenues, the timing of land sales cannot be accurately predicted given the lack of comparable market data for marine business parks. However, it is assumed that after the first 4 years, some land will be sold (or leases will be converted to sales) so that by the end of the 10 year forecast period, all of the 40 acres of developable land will have been sold, and the LRA's redevelopment job will be completed.

The following assumptions apply to the forecasted revenue stream from land development:

- It is estimated that of the 45 acres of upland (out of the total of 150 acres), approximately 40 acres will be developable and available for lease or sale.
- The subdivided land is initially leased to end-users or developers at an average annual rate of 5 acres per year, starting in 2010. In the fourth year (2013), land will begin to be sold at the same absorption rate of 5 acres per year. In 2016, leased land will be converted to sales, resulting in all of the 40 acres being sold to end users by 2018.
- The average land value, if sold, is estimated at \$100,000 per acre and the lease rate will be 10%, or \$10,000 per acre per year. This is a typical lease rate used for land leases, but may vary based on the type of use, quality of the tenant and other market factors.

- End users will be responsible for bringing infrastructure improvements to their individual sites, including roads and driveways, water and sewer lines, electrical service and telecommunications, most likely from the existing building EMR complex.

Based on typical industrial land values in the region, the target price of \$100,000 is assumed for the EMR Facility. This price reflects the waterfront location and accessibility of the property, which gives it a premium over non-waterfront industrial land in Ingleside. It is below the asking price for Port Authority waterfront industrial land (\$150,000 per acre) reflecting the limited capacity to serve users needing deep-draft capacity. The actual pricing will vary depending on the user, the number and quality of jobs created, and the location within the Marine Business Park.

The Marina will generate revenue once constructed, from the leasing of slips and dockage space. Using an average of rates at marinas in the region, an average monthly rate of \$5 per foot of dock space is used to forecast revenues. In addition, another \$1 is added for utility recoupment (typical practice) plus another \$2 for miscellaneous revenues (sales and services) for a total of \$8 per foot.¹⁸ Transient boaters typically pay a somewhat higher rate and generate additional service and sales revenues for marinas. However, until a more detailed marina feasibility analysis is completed, the estimates above are considered to be a reasonable forecast.

Assuming that an average of 1,900 linear feet of leasable slip and dock space is constructed, the total gross potential revenue would be approximately \$182,000 per year.¹⁹ However, very few marinas operate at full capacity (occupancy). It will also take time for occupancy to build at a new marina, with a maximum rate of 75% after stabilization in 3-4 years.

Total revenues, with the Marine Business Park land fully leased out and the marina operating at full (75%) capacity is estimated at approximately \$530,000 per year.

c) Annual Operating Costs

The following assumptions are applied to a ten-year forecast of revenues and expenditures, based on RKG's market research and analysis of development costs. The assumptions are based on a conservative approach to the management of the property, which maximizes the use of contractual services and labor instead of full time staff.

- **Administration** – The proforma financial analysis assumes that the LRA will require a total of four full-time staff members, starting in mid-2009. Staff include a director, an administrative assistant, a marina manager and one other person for miscellaneous maintenance and administrative duties. Benefits are assumed at 20% of salary. Estimated annual cost: \$216,000 (\$108,000 in

¹⁸ Dock and slip spaces are typically rented on a monthly basis with a minimum of 3-6 months, at rates per foot of boat length, or per foot of slip, whichever is greater. Thus, a 25-foot boat in a 30-foot slip would pay for 30 feet, while a 36-foot boat in the same slip would pay for 36 feet. The use of a fixed rate per available dock length is a viable estimate of revenues that can be refined as data is available.

¹⁹ Avg. (1,800/2,000) feet X \$8/ft X 12 months

2009 assuming mid-year start-up). Salaries will be reduced in the last few years as the rest of the land is sold off and only the marina is left for management.

- **Office and property overhead** – costs for travel, computers, supplies, etc. Estimated annual cost: \$40,000
- **Legal and accounting** – Contracted assistance with leases, liability issues and bookkeeping. Estimated annual cost: \$30,000
- **Property maintenance** – Contracted services for grounds, road and building maintenance. May be contracted with City of Ingleside public works or private vendors. Cost will be reduced proportionately as property is leased. Estimated annual cost: \$25,000
- **Pier maintenance** – Includes regular inspections, upkeep of wood and concrete members, other preventative maintenance. Estimated annual cost: \$50,000
- **Marketing & sales** – In-house advertising, internet maintenance and response to inquiries. Includes commission fee to outside listing broker. Will be reduced proportionately as property is leased. Estimated initial annual cost: \$25,000
- **Utilities** – Electric, water & sewer for existing buildings and marina. Offset by marina revenue for utility recapture and possibly by an tenants who lease the existing buildings. Estimated annual cost: \$10,000
- **Contingency** – Estimated at 10% of operating costs

These preliminary operating costs total \$435,600 in the first full year of activity (2010), and approximately \$248,000 in 2009 (50%). Table 2 shows the estimated full annual cost of managing and operating the redevelopment of the EMR Facility. These costs will be reduced as property is leased or sold and end users assume some of the costs. In addition, actual staffing costs may vary depending on how the LRA decides to carry out the redevelopment. For example, if the development management is turned over to a third party master-developer, these costs, as well as the revenues, could be somewhat less.

Table 2 – Stabilized LRA Operating Expenses

Estimated Annual Operating Costs: 2010-2012		
Administration		
9	Staff salaries & benefits	\$ 216,000
10	Office overhead	\$ 40,000
11	Legal and accounting	\$ 30,000
12	Property Maintenance	\$ 25,000
13	Pier Maintenance	\$ 50,000
14	Marketing & sales	\$ 25,000
15	Utilities	\$ 10,000
16	Contingency	\$ 39,600
	TOTAL	\$ 435,600

Because it will take several years to lease or sell all 40 acres of upland available at the EMR Facility, and to build and generate activity at the marina, there will be a net operating loss for a period of time until revenues are greater than costs.

Table 3 provides a 10-year cash flow analysis of the LRA's operations for the redevelopment of the EMR Facility. It indicates that, given the assumptions stated earlier, that a total cumulative deficit of approximately \$917,000 (reached in 2012) will be required to carry out the redevelopment plan before considering the needed capital expenditures. Adding the estimated costs of capital expenditures in, and assuming no grant funding is available to offset these costs, the total deficit reaches approximately \$1.84 million. This assumes that the capital expenditures are spread out over the first three years of development, as shown in the table.

At the end of the 10-year forecast period, after the revenues from land sales are received, the cumulative cash flow balance is a positive \$1.4 million. The challenge for the LRA will be to finance the initial working capital deficit. With its ability to borrow funds and obtain grants, it is capable of carrying out the Preferred Plan for the redevelopment of the EMR Facility. This is discussed further in Section VII.B.5 below.

3. Conveyance Method

In order to maximize the job creation potential for the EMR Facility, additional investment of over \$1.8 million is needed. The rate of return on this investment, while positive, is small and well below the threshold that typical private sector investors would require in order to serve as the overall developer for the site.²⁰ The risks associated with attracting smaller business entities to a site such as the EMR over a period of several years make the Ingleside LRA the logical development manager for the project since the creation of new employment opportunities is the primary goal of the redevelopment.

²⁰ The Internal Rate of Return (IRR) on the ten-year net cash flows after Capital Improvements is 10.6%. The Net Present Value of these cash flows utilizing a 10% discount rate and without considering the residual value of the marina operations is approximately \$47,000. Real estate investors/developers typically require IRRs of 20% or more for speculative projects such as this one. In addition, the current national and regional economic situation would make it very difficult for a private investor to leverage such a project with traditional debt financing, thereby driving up the required return on equity.

Given the fact that over 2,000 private sector jobs will be lost in San Patricio County alone when Naval Station Ingleside closes, these facts suggest the need for an Economic Development Conveyance for the EMR Facility to the Ingleside Local Redevelopment Authority.

Alternatively, the Navy could dispose of the property by Public Sale in which an auction would be held and the property would transfer to the highest bidder. As discussed in the previous section on alternatives, other users of the property would not necessarily strive for maximum job creation. Such an auction might result in the price for the land being bid up to a point that is would be financially infeasible for the LRA's plan to redevelop the EMR Facility and create the needed jobs. Also, if the LRA does not acquire the site, public access to the waterfront, a clear objective that came out of the public hearings and the BRAC Summit, would likely not occur.

Table 3 – 10 Year Proforma Cash Flow

10 year Proforma Cash Flow Analysis - Land Lease to Sale Model											
EMR Facility Redevelopment											
Year:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Acres leased(total)	0	5	10	15	15	15	15	10	5	0	
Acres sold (total)	0	0	0	0	5	10	15	25	35	40	
Marina occupancy	20%	40%	60%	75%	75%	75%	75%	75%	75%	75%	
Direct jobs (@ 1/500 SF)	4	104	204	304	404	504	604	704	804	804	
Indirect jobs		7	179	351	523	695	867	1039	1211	1,383	
SF of built space (@ 0.25 FAR)	-	50,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000	400,000	
Revenues											
Land Leases	\$ 10,000.0	\$ -	\$ 50,000	\$ 100,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 100,000	\$ 50,000	\$ -	
Land Sales	\$ 100,000	\$ -	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 500,000	\$ 1,000,000	\$ 1,000,000	\$ 500,000	
Marina Revenue	\$ 173,000	\$ 35,000	\$ 69,000	\$ 104,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	
TOTAL		\$ 35,000	\$ 119,000	\$ 204,000	\$ 280,000	\$ 780,000	\$ 780,000	\$ 780,000	\$ 1,230,000	\$ 1,180,000	\$ 630,000
Annual Operating Costs											
Administration											
Staff salaries & benefits	\$ 108,000	\$ 216,000	\$ 216,000	\$ 216,000	\$ 216,000	\$ 216,000	\$ 216,000	\$ 216,000	\$ 108,000	\$ 90,000	
Office overhead	\$ 20,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 25,000	\$ 10,000	
Legal and accounting	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	
Property Maintenance	\$ 12,500	\$ 25,000	\$ 25,000	\$ 25,000	\$ 16,000	\$ 13,000	\$ 9,000	\$ 6,000	\$ 3,000	\$ -	
Pier Maintenance	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	
Marketing & sales	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 20,000	\$ 15,000	\$ 10,000	\$ 5,000	
Utilities	\$ 5,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 5,000	
Contingency	\$ 22,550	\$ 39,600	\$ 39,600	\$ 39,600	\$ 38,700	\$ 38,400	\$ 37,500	\$ 36,700	\$ 23,600	\$ 19,000	
TOTAL	\$ 248,050	\$ 435,600	\$ 435,600	\$ 435,600	\$ 425,700	\$ 422,400	\$ 412,500	\$ 403,700	\$ 259,600	\$ 209,000	
Annual Cash Flow	\$ (213,050)	\$ (316,600)	\$ (231,600)	\$ (155,600)	\$ 354,300	\$ 357,600	\$ 367,500	\$ 826,300	\$ 920,400	\$ 421,000	
Cumulative Cash Flow	\$ (213,050)	\$ (529,650)	\$ (761,250)	\$ (916,850)	\$ (562,550)	\$ (204,950)	\$ 162,550	\$ 988,850	\$ 1,909,250	\$ 2,330,250	
NPV:		\$643,284									
Capital Expenditures											
Survey & subdivision plan	\$ 25,000										
Pier engineering & marina design	\$ 45,000										
Fill & bulkhead - Jewell Fulton		\$ 125,000	\$ 125,000								
Marina improvements (*)		\$ 250,000	\$ 250,000								
TOTAL	\$ 70,000	\$ 375,000	\$ 375,000								
Cash Flow after CIP	\$2,150	\$ (283,050)	\$ (691,600)	\$ (606,600)	\$ (155,600)	\$ 354,300	\$ 357,600	\$ 367,500	\$ 826,300	\$ 920,400	\$ 421,000
Cumulative Cash Flow	12.2%	\$ (283,050)	\$ (974,650)	\$ (1,581,250)	\$ (1,736,850)	\$ (1,382,550)	\$ (1,024,950)	\$ (657,450)	\$ 168,850	\$ 1,089,250	\$ 1,510,250
					***						***

4. Economic Impact of the Preferred Plan

The Preferred Plan for the redevelopment of the EMR Facility has the potential to be a major stimulus for Ingleside and San Patricio County. Using typical employment and development standards for business parks, the site has the capability of employing up to 800 direct jobs once it is built out. This estimate is based on an assumed density (Floor Area Ratio, or FAR) of 0.25 (approximately 10,000 square feet of building space per acre of land) and an employment ratio of 1 job per 500 square feet of building space. These factors result in an estimated total build out of 400,000 square feet of building space and 800 new jobs over the 10-year forecast period.

In addition to the direct jobs employed by the tenants of the Marine Business Park, indirect jobs will be created throughout the Coastal Bend region as the salaries paid to the workers at the EMR site filter through the economy. This “multiplier effect” is estimated to create an additional 1,300 jobs, based on the ratios utilized in the Economic Impact study conducted by Texas A&M for Workforce Solutions (see footnote #1). Thus, the total economic impact of the redevelopment of the EMR Facility is on the order 2,100 new jobs. *This is approximately equal to the number of direct and indirect jobs that will be lost in San Patricio County as a result of BRAC.*

The redevelopment of the EMR site will also generate taxes for San Patricio County and the City of Ingleside on any improvements to the land (such as buildings and equipment), as well as on land that is sold. The land itself is assumed to be tax exempt if owned by the LRA and leased to users. Utility payments will also be made, helping offset the anticipated serious impacts of the closing of NSI.

5. LRA Financing Plan

In order to achieve the job creation forecast for the Preferred Plan, the LRA will need to fund the cash flow shortfall incurred in the initial few years of redevelopment. The LRA has at its disposal several mechanisms for providing up-front funds including the ability to receive grant funds and the ability to issue economic development bonds. A private developer would not have this capability and would not therefore invest in such a project.

The estimated \$1.7 million budget deficit will be funded as follows:

- Grants for a portion of the Marina and Jewell Fulton fill capital improvements projects will be pursued through the Texas Boating Infrastructure Grant program as well as the Economic Development Administration, for an estimated total of 40% to 50% of the total costs, with receipt in 2010 and 2011.
- Additional grants for planning will be sought from OEA, EDA or other sources, estimated at \$200,000 to \$300,000 in 2009.
- The LRA, once reconstituted under Chapter 379B, will issue as series of bonds to make up for any cash shortfall after grants are received, including debt service on bonds outstanding. These could total \$1,400,000 in yearly increments starting with \$100,000 in 2009, \$600,000 in 2010, \$500,000 in 2011 and another

\$200,000 in 2012. Bonds are assumed to carry an interest rate of 5% and a 20-year term.

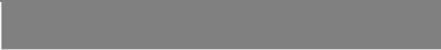
- Under these assumptions, the LRA will be able to begin to repay the outstanding bond balance starting in 2104 and completely pay it off by the end of the 10-year forecast period.
- Alternatively, if no grants are obtained by the LRA, it can still fund the redevelopment through the issuance of approximately \$2 million in bonds in increments over the first 4 years. This allows for the development to proceed and generates sufficient return to repay most of the borrowed funds by the end of the forecast period.
- Any bonding that the LRA does may need to be backed with the faith and credit of one or more underlying member jurisdictions and/or with a lien on the land. This will be determined by bond counsel at a later date. Another way of financing the project is for each of the underlying member jurisdictions to directly fund the LRA's deficit based on some proportionality formula. For example, if each jurisdiction contributed 25% of the deficit, assuming no grants or bonding, each would be required to put in \$450,000 over the first four years. They would then be repaid from available cash flow over the next four years as the land sold, and would then net an additional \$377,500 in profit at the end of the 10-year forecast period.
- The best method of financing the redevelopment of the EMR Facility will be developed in the LRA's Business Plan for the EDC.

Risks associated with the preferred redevelopment plan include higher costs for construction of the marina and bulkhead, unforeseen costs to subdivide and sell or lease the property, slower demand from potential users or lower prices paid to the LRA, and higher overhead costs for managing the redevelopment process.

- A sensitivity analysis indicates that if land prices are reduced to \$75,000 per acre (\$7,500 annual lease rate) the LRA can still finance the redevelopment with a \$2.1 million total bond that can nearly, but not quite, be repaid at the end of 10 years. This scenario reduces the Internal Rate of Return to under 3% and a negative Net Present Value.
- Similarly, if operating costs were 20% higher than forecast, the IRR would fall to 5% and an additional \$400,000 in bonding would be required. The LRA would still be able to pay off the bonded debt once the land is fully sold.

C. LRA Decision

On November 12, 2008, the Ingleside Local Redevelopment Authority voted in public session to adopt the Preferred Plan for the redevelopment of the surplus Electromagnetic Reduction Facility property and to pursue an Economic Development Conveyance of the property from the Navy.



VIII. APPENDICES

- A. Property Deed Information**
- B. Facilities Assessment Report**
- C. Excerpts from Environmental Condition of Property Report**
- D. Personal Property Inventory**
- E. Public Outreach Notice and Distribution List**
- F. County Continuum of Care Reports & Data**
- G. HUD Homeless Submission**
- H. Port of Corpus Christi Information**
- I. Naval Station Ingleside Reuse Plans**