



# **Consider Approval of a Chapter 380 Agreement with Project Cat Tree**

**August 5, 2025**



# About the Project

- Minimum 130 key full-service hotel
- Event lawn and amphitheater
- Restaurant, bar, meeting and event space
- Capital investment of \$40 million
- Hotel to be located on Texas State University Property



# Project Team

- **Lead Developer: Midway**
- Development highlights: The George Hotel (College Station), Cavalry Court Hotel (College Station)
- **Hotel Operator: New Waterloo**
- South Congress Hotel (Austin), Hotel Ella (Austin)



# Project Location

Project Site

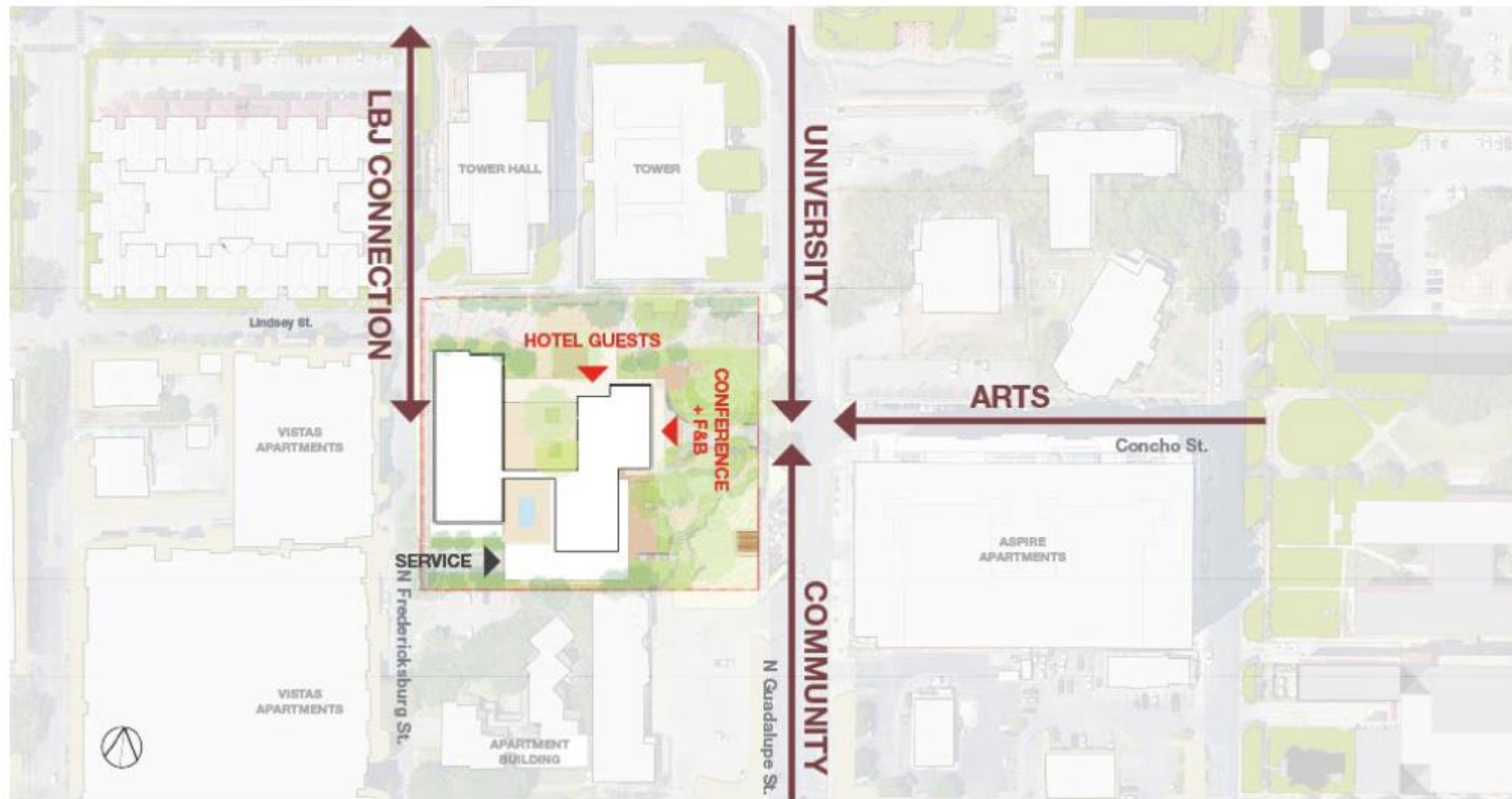
N. Guadalupe St.

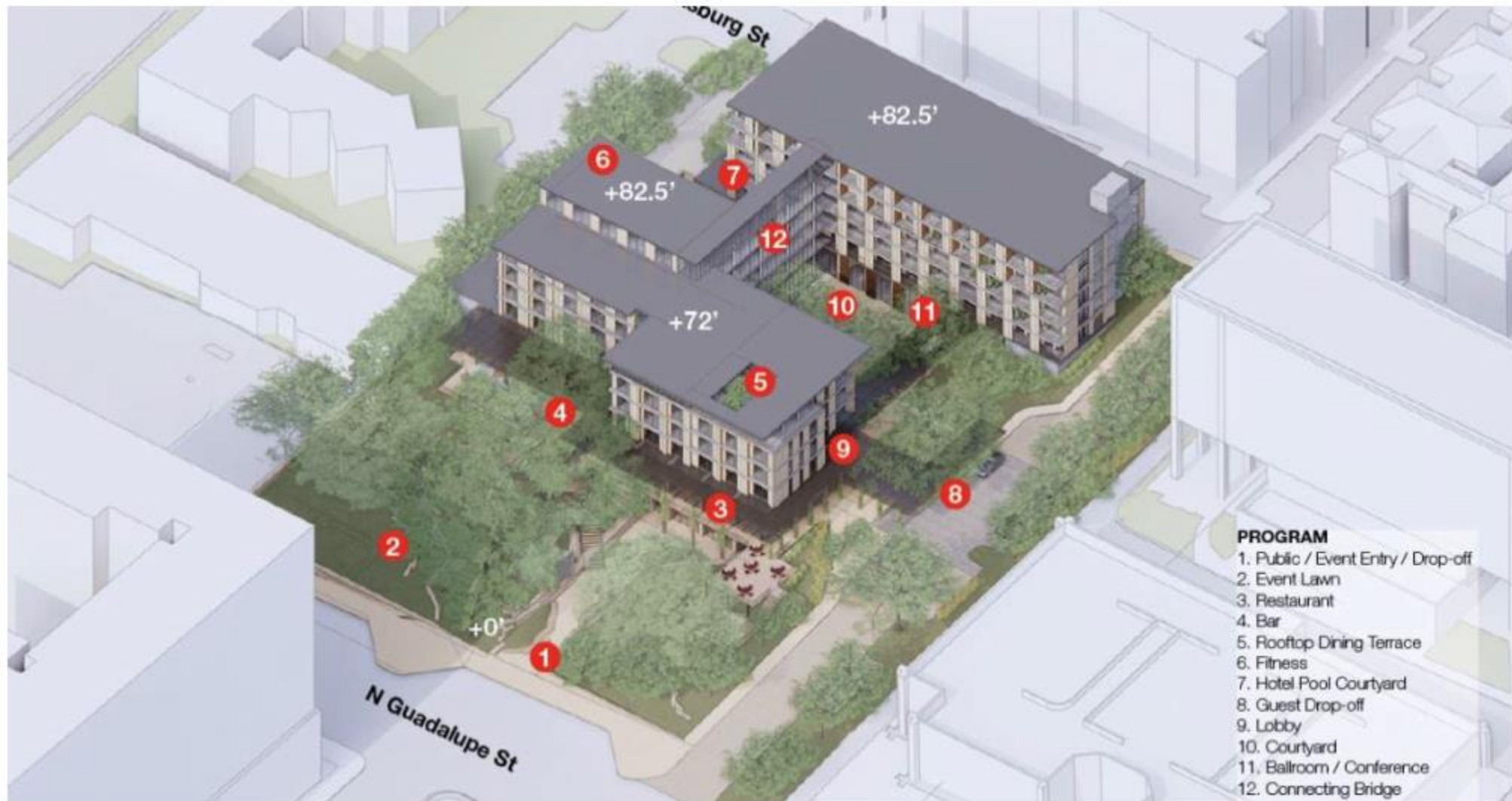
Fredericksburg St.

University Dr.























# Job Creation Operations

**Community Engagement:** The Hotel will host Job Fairs in partnership with GSMP to connect with local businesses, organizations, and students to recruit skilled workers.

Hotel Employment	# of Jobs
<i>Rooms</i>	60-70
<i>Restaurant and Lobby Bar</i>	45-50
<i>Rooftop Bar, Pool, and Coffee Shop</i>	45-55
<i>In-Room Dining (IRD) and Minibar</i>	6-10
<i>Laundry</i>	6-10
<i>Banquet and Catering</i>	15-20
<i>Parking and Valet</i>	10-14
<i>IT</i>	1-2
<i>Admin and General</i>	8-10
<i>Sales and Marketing</i>	5-7
<i>Property Operation &amp; Maintenance</i>	6-8
<b>Total</b>	<b>207-256</b>

Minimum wage for hourly (non-tipped) positions to be set at \$18/hr with annual cost of living adjustments

Hotel Employment	Income	
Salary		
Service	\$60k–\$65k	
Department Head / Senior Sales Managers	\$90k–\$90k	
Executive Committee / Directors	\$110k–\$130k	
GM	\$165k–\$185k	
Hourly (non-tipped)		
Front Desk	\$17 / hour	
Front Desk Supervisor	\$20 / hour	
Room Attendant	\$17 / hour	
Houseperson / Public Area Attendant	\$17 / hour	
Housekeeping Supervisor	\$20 / hour	
Laundry Attendant	\$16 / hour	
Cooks	\$18-21 / hour	
Dishwasher	\$16 / hour	
Maintenance	\$17-23 / hour	
Security	\$19 / hour	
Coordinators	\$33 / hour	
Hourly (tipped)		
Barista	\$14 + tip	\$20-22 / hour
Restaurant Servers	\$2.13 + tip	\$25-27 / hour
Host/Hostess	\$16 + tip	\$18-20 / hour
Bartender	\$7.25 + tip	\$27-30 / hour
Barback	\$10.50 + tip	\$18-20 / hour
Banquet Servers	\$3.50 + tip	\$25-30 / hour





# Strategic Goals

## 2025-2026 Strategic Plan: Economic Vitality

**San Marcos as a Destination:** Expand and support responsible tourism programs to promote local commerce.

### **Downtown Area Plan:**

- B.4 “Attract a downtown hotel that provides multiple economic benefits and assets to Downtown and serves visitors to San Marcos and Texas State University.”



# Proposed Terms

- Minimum capital investment of \$40 million
- Minimum 130 key hotel
- No rebate of property taxes – 100% capture by City, County, ISD
- 95% sales tax rebate over 10 years
- 95% HOT rebate for eligible expenses over 10 years
- Both rebates draw down over time (see future slide)
- Rebate of Construction Sales Taxes





# Hotel Occupancy Tax (HOT) Overview

Hotel projects face a two-part test to qualify for HOT rebates:

**Criteria #1:** Every HOT expenditure must directly enhance and promote tourism, the convention business, and the hotel industry

**Criteria #2:** Every HOT expenditure must clearly fit into one of nine statutorily provided categories



## Criteria #2

1. Funding the establishment, improvement, or maintenance of a convention center or visitor information center
2. Paying administrative costs for facilitating convention registration
- 3. Paying for advertising, solicitations, and promotions that attract tourists and convention delegates to the city or its vicinity**
- 4. Expenditures that promote the arts**
5. Funding historical restoration or preservation programs

*Note: Bolded items signify items that the proposed Hotel could qualify for*





## Criteria #2

- 6. Funding certain expenses, including promotional expenses, directly related to a sporting event with counties with a population under 1 million**
- 7. Funding the enhancement or upgrading of existing sports facilities or sports fields for certain municipalities
- 8. Funding transportation of tourists from hotels to attractions**
- 9. Signage directing tourists to sights and attractions that are visited frequently by hotel guests in the municipality**

*Note: Bolded items signify items that the proposed Hotel could qualify for*



## Proposed Incentive:

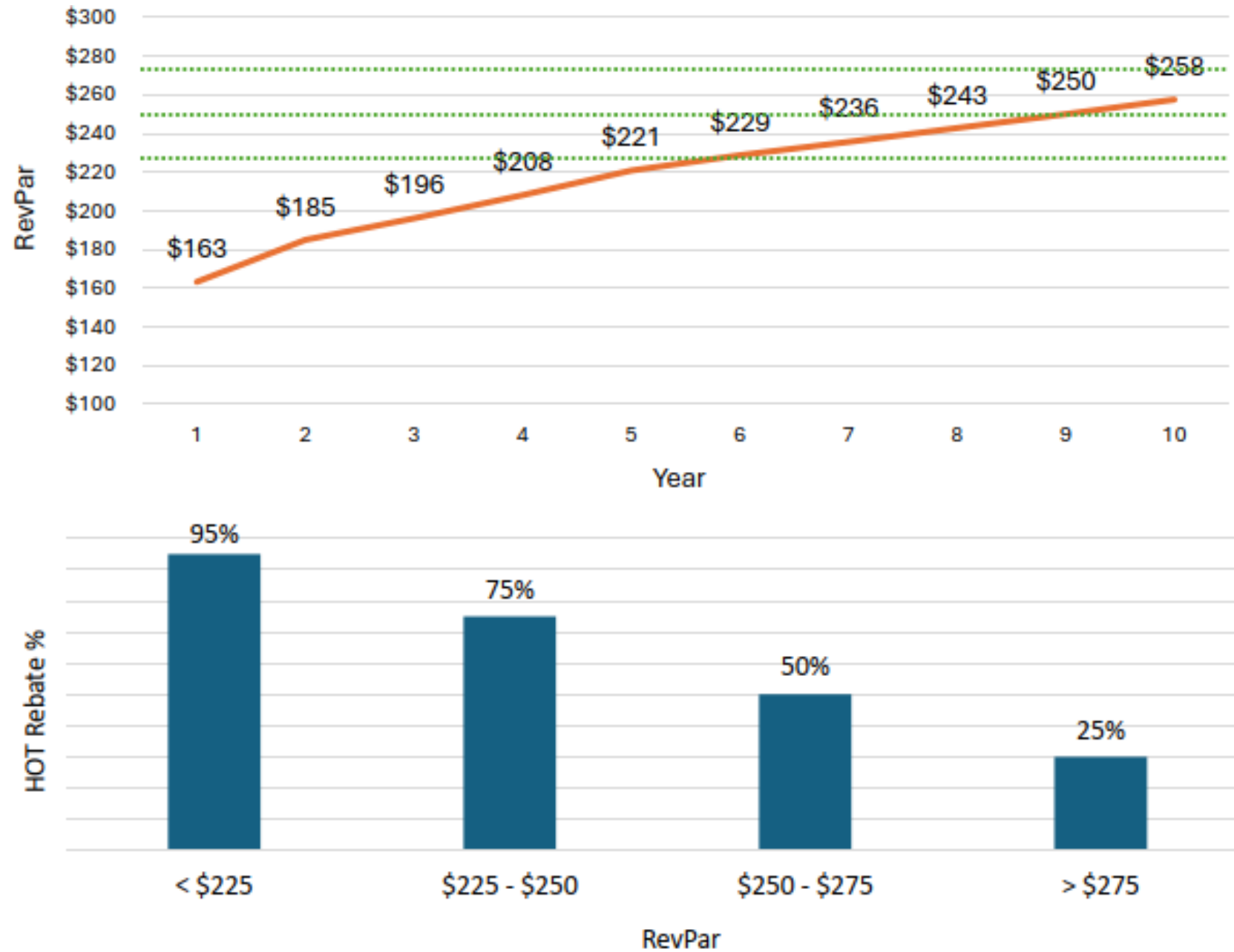
HOT Rebate % For Eligible Expenses	95%	75%	50%	25%
RevPar	<\$225	\$225-\$250	\$250-\$275	>\$275

Sales Tax Rebate %	95%	75%	50%	25%
RevPar	<\$225	\$225-\$250	\$250-\$275	>\$275

Rebate to subsidize over time as hotel achieves performance thresholds based on the following calculation:  
 Revenue Per Available Room (RevPar) calculated as the average daily rate (ADR) X occupancy  
 Ex: RevPar (\$225) = ADR (\$300) X Occupancy (75%)



## Revenue per Available Room Projections







# EDSM Recommended Incentive

- Economic Development San Marcos Board voted to recommend this project and incentive to the City Council as presented



# Potential Revenue to the City

## Real Property Tax Collections

Rebate %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Year	1	2	3	4	5	6	7	8	9	10	Total
City Rebated	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City Retained	\$241K	\$241K	\$241K	\$241K	\$241K	\$241K	\$241K	\$241K	\$241K	\$241K	\$2.4M

## Sales Tax Rebate

Rebate %	95%	95%	95%	95%	95%	75%	75%	75%	50%	50%	
Year	1	2	3	4	5	6	7	8	9	10	Total
City Rebated	\$218K	\$218K	\$218K	\$218K	\$218K	\$172K	\$172K	\$172K	\$115K	\$115K	\$1.8M
City Retained	\$11K	\$11K	\$11K	\$11K	\$11K	\$57K	\$57K	\$57K	\$115K	\$115K	\$456k

[sanmarcostx.gov](http://sanmarcostx.gov)

\*Numbers rounded and averaged



# Potential Revenue to the City

## HOT Tax Rebate

Rebate %	95%	95%	95%	95%	95%	75%	75%	75%	50%	50%	
Year	1	2	3	4	5	6	7	8	9	10	Total
City Rebated	\$874K	\$874K	\$874K	\$874K	\$874K	\$690K	\$690K	\$690K	\$460K	\$460K	\$7.3M
City Retained	\$46K	\$46K	\$46K	\$46K	\$46K	\$230K	\$230K	\$230K	\$460K	\$460K	\$1.8M





# Potential Revenue to the City

Local Entity	Total Rebate	Total HOT Tax Retained	Total Sales Tax Retained	Total Property Tax Retained
City	\$9.1M	\$1.8M	\$456K	\$2.4M

**Return on City incentive over 10 years:**

**(Gain of investment – cost of investment)/cost of investment**

**(\$13.7M property/sales/HOT taxes - \$9.1M in rebate)/ \$9.1M in rebate = .50 or 50%**

**\*Numbers rounded**



## Points for Consideration

- Elevate the profile of San Marcos as a destination for both leisure and business travelers
- A full-service hotel may assist with converting day travelers into overnight stays
- This product does not currently exist in the regional market
- Incentive request to help “prove-up” the market



# Proposed Agreement Terms

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- 95% sales tax rebate over 10 years drawing down based on performance
- 95% HOT rebate over 10 years drawing down based on performance
- Construction sales tax rebate
- Extend the agreement to 15 years (max 10 payments) to ensure a minimum 5 years of full tax benefit to the City
- Developer may not engage in any action that renders the project exempt from ad valorem taxation by the City
- Minimum wage of \$18/hr for hourly non-tipped positions with annual cost of living adjustment (COLA)
- Clawback: all rebates provided by the City to the developer shall be repaid and agreement will terminate. City to have subordinate lien structure in place





# **Staff Recommendation**

Staff is recommending approval of the agreement as presented



# Staff Recommended Terms

- Capital investment of \$40 million
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# Questions