



Consider Approval of a Chapter 380 Agreement with HEB, LP

October 15, 2024



Background

- On May 7th, Council voted to adopt a resolution supporting tax incentives for grocery store development.



Background

- On August 19th, HEB submitted an application requesting incentives under this resolution.
- Applicant cited Council's resolution as having a material impact on proceeding with this project



About the Project

- Construction of 100,000 SF Grocery Store
- ~ 18 acres on southeast corner of I-35 and McCarty Ln
- Estimated capital investment of \$53 million
- ~ 212 Full time jobs
- ~ 238 additional part-time jobs



Project Location





Proposed Terms

- Construct minimum 100,000 SF grocery store
- Open to the public on or before December 31st 2026
- 80% property and sales tax rebates drawing down over 5 years based on the following schedule:

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales Tax Rebate %	80%	80%	60%	50%	25%
Property Tax Rebate %	80%	80%	60%	50%	25%



Potential Revenue to the City

Property Tax Rebate

Rebate %	80%	80%	60%	50%	25%	
Year	1	2	3	4	5	Total
City Rebated	\$212k	\$248k	\$181k	\$148k	\$73k	\$864k
City Retained	\$53K	\$62K	\$120K	\$148K	\$219K	\$604k

Sales Tax Rebate

Rebate %	80%	80%	60%	50%	25%	
Year	1	2	3	4	5	Total
City Rebated	\$372K	\$379K	\$290K	\$246K	\$125K	\$1.4M
City Retained	\$93K	\$94K	\$193K	\$246K	\$377K	\$1M



Potential Revenue to the City & Others

Local Entity	Total Rebate	Total Sales Tax Generated	Total Property Tax Generated	Net Tax Collection
City	\$2.2M	\$2.4M	\$1.4M	\$1.6M
County	\$0	\$806k	\$700k	\$1.5M
SMCISD	\$0	\$0	\$2.4M	\$2.4M

Return on City incentive over 5 years:

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

(\$3.8M property/sales taxes - \$2.2M in rebate)/ \$2.2M in rebate = 0.72 or 72%

5 year taxes collected to Hays County is \$1.5M

5 year taxes collected to San Marcos CISD is \$2.4M

***Numbers rounded**



EDSM Recommendation

- Economic Development San Marcos Board voted on September 26, 2024, to recommend this project and incentive to the City Council Based on the following schedule:

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales Tax Rebate %	80%	80%	60%	50%	25%
Property Tax Rebate %	80%	80%	60%	50%	25%



Staff Recommendation

Staff recommends Council approve a Chapter 380 economic development incentive agreement as presented on next slide on first reading.



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Questions