

Dear Judge Berrera and City Manager Reyes:

Please accept this this letter of support for the full-service hotel project proposed for 429 North Guadalupe Street in San Marcos.

Texas State believes this boutique hotel will have a transformational impact on San Marcos, elevating this area, increasing property values, drawing more visitors downtown, which will result in a more San Marcos. The key to achieving such a transformational impact with this project is bringing a world-class developer and hotel operator to the table. We believe we have that team in Midway and New Waterloo (the "Developers").

The University has reviewed the Proforma for this project and the Developer's requested tax incentives necessary to make this project feasible. The University supports these incentives based on the project's estimated \$3.7 billion economic impact to the city and county over the next 50 years.

This hotel project is forecast to deliver over \$138 million dollars of new tax revenue to the city and county. Given that the project requires no direct investment by the City or County, and that the land would otherwise be used for a tax-exempt purpose, the Return on Investment is greater than what the City and County would realize on any similar project developed on privately-owned property.

The University has been asked if we would proceed with this project without these tax incentives. Based on the above community benefit, Dr. Damphousse has been clear in our internal discussions with the Developer that he will not seek approval from the TSUS Chancellor or Board of Regents for a hotel project that does not self-perform, which this project cannot do without the requested incentives. The University was also asked whether it would acquire the hotel in the future to make the project tax exempt. As a public University, this tax-exempt option is already available to us today, but we are not pursuing that tack. We believe having the hotel run independently by a world-class private operator in a commercially-viable, tax-paying structure is in the best interest of all parties.

Texas State is proud to call San Marcos and Hays County home, and we thank you for your leadership and role in making our community the best in all of Texas. Please let me know if I can do anything else to assist in your consideration of the incentives.

Thanks,

Eric

Eric Algoe
EVP & CFO
TXST