



Consider approval of Resolution 2022-130R, approving a Chapter 380 Economic Development Incentive Agreement with Hill Country Group, LLC

June 7, 2022



Introduction

- **Today's decision is not a choice between allowing versus prohibiting development over the Edwards Aquifer recharge zone**
- **The project site already has entitlements to build**
- **La Cima agreement is restricted to 19% impervious cover, which is less than our current City Code requirements**

Today's Decision

Should Council incentivize a film studio project that will be better environmentally and economically than a commercial project that can be built at this site otherwise?



Project Overview

- **Hill Country Group, LLC**
- **Film Production Studio**
- **22 full-time employees at \$100k average salary**
- **Up to 1,400 contract workers with an average of 1,200 on production projects at \$80k average salary**



Project Overview

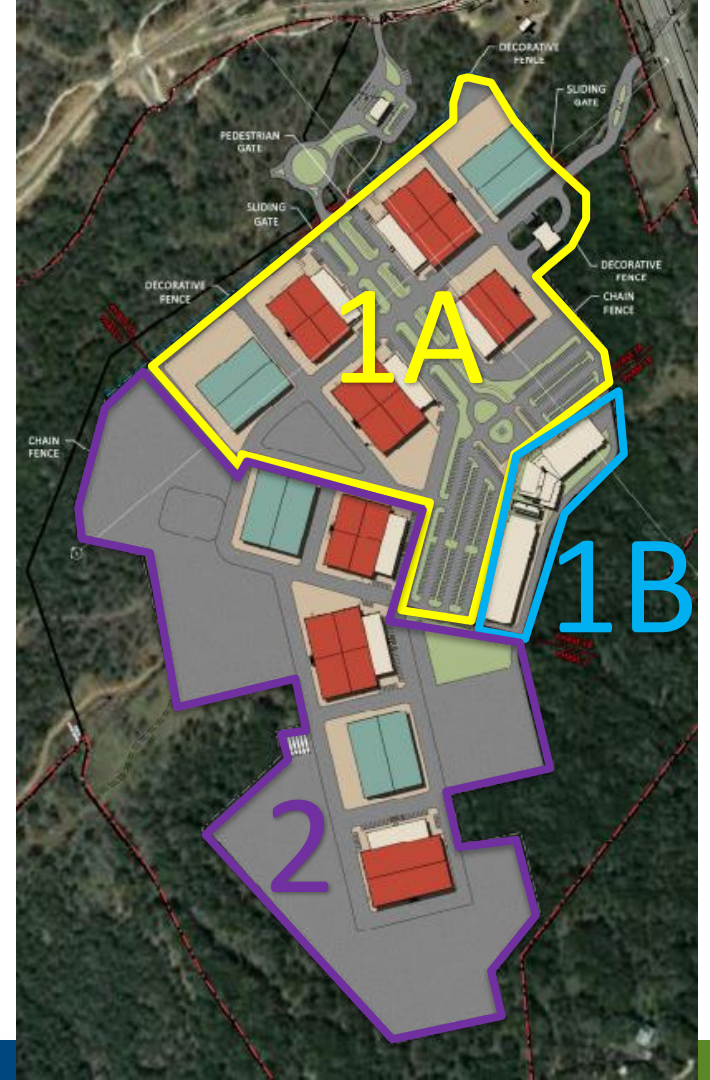
- **Total capital investment of \$267M**
- **820,000 sf in production stages, workshops, office, and support spaces**
- **Construction to commence in April 2023**
- **Phase (1a) to be completed in 18 months from construction start**
- **Two other phases are planned with anticipated completion in August 2025**



Project Phasing

La Cima

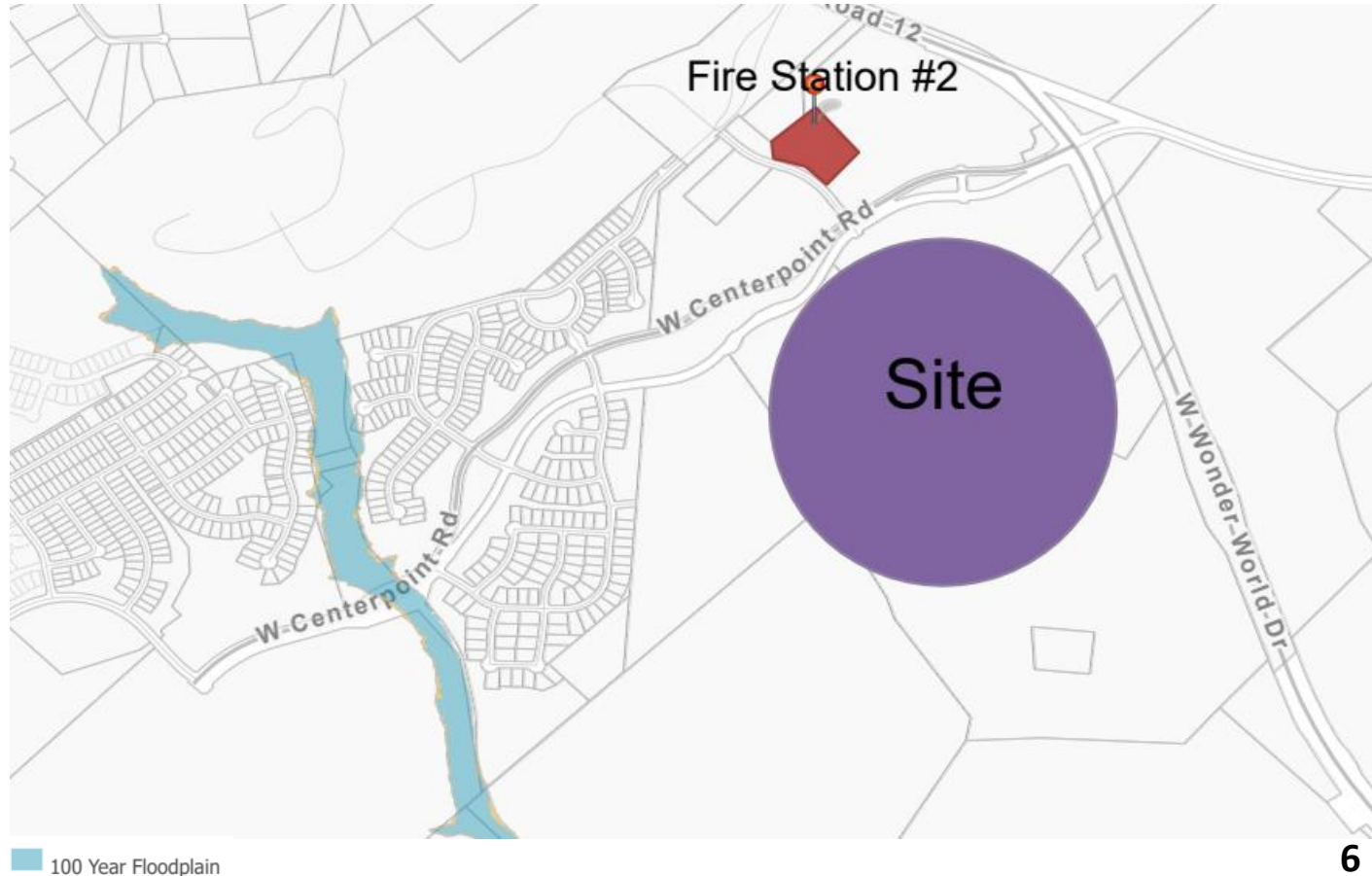
- Phase 1A: 7 production stages, 2 workshops, and a welcome center.
- Phase 1B is proposed to add 250K sf of office space
- Phase 2 is proposed to add 5 stages, 2 workshops, and additional support space (complete buildout in 2025).





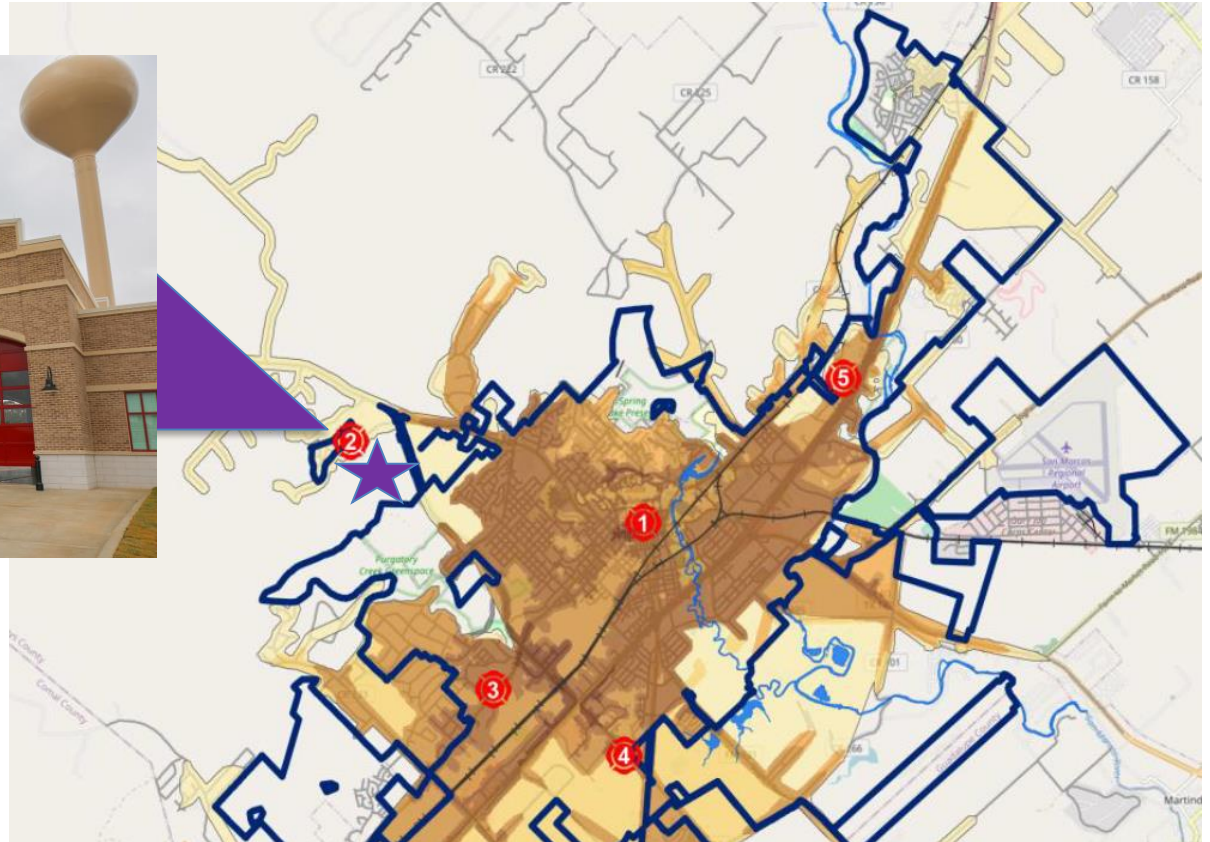
Project Location

W Centerpoint
Rd and W
Wonder World
Dr/ Ranch
Road 12





Fire Response

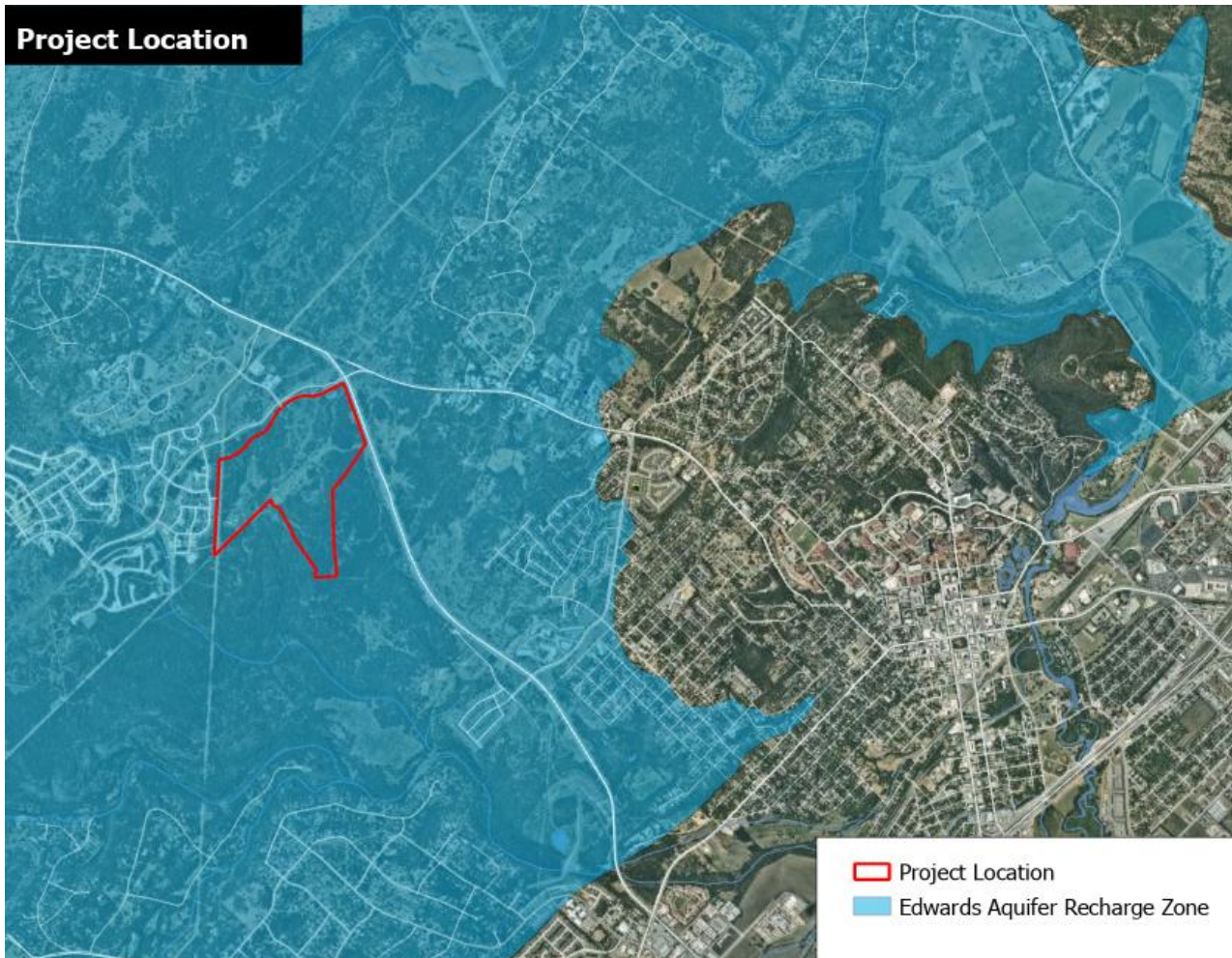




 Fire Stations

 Site



Project Location



-  Project Location
-  Edwards Aquifer Recharge Zone

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La Cima – Key Environmental Considerations

Total Impervious Cover	City Code 40% - 30% - 20%	La Cima Agreement 19%
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- La Cima agreement enforces lower impervious cover than current code
- Required before construction:
 - Stormwater pollution prevention plan (SWPPP) to address erosion and sedimentation control, construction sequencing to minimize disturbance for stormwater runoff management
 - Water Pollution Abatement Plan (WPAP) including a geologic assessment and geotechnical report for aquifer protection



Environmental Benefits of Proposed Project

	2013 Agreement	Proposed
Zoning	Community Commercial	Film Studio
Impervious Cover Site	80%	✓ < 48%
Building Setbacks from ROW	10 ft.	✓ 100 ft.
Height Restrictions	None	✓ Yes
Water Quality Treatment (TSS Removal)	Older Code 85%	Current Code ✓ 89%
Minimum Landscaped Area	10%	✓ 15%

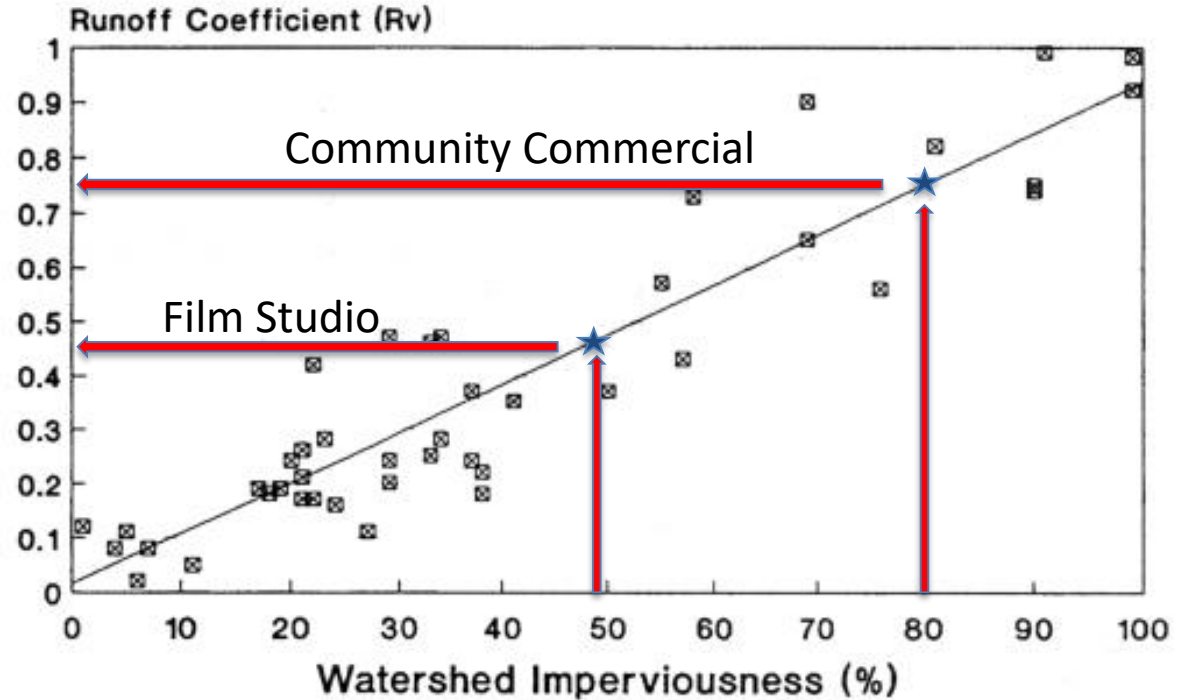
- Water quality controls: traditional best management practices and/or approved low-impact development (LID) practices – detention ponds, grassed lines swales, rain gardens, bioswales, biofiltration ponds, and native drought tolerant plants
- Film Studio height restrictions: 40ft / 65ft / 90ft / 110 ft



Film Studio will have less runoff impact

Lower % impervious cover means:

- less runoff
- less pollutant loading
- more infiltration
- more recharge





Film/TV Economic Benefits

The industry is a nationwide network of small businesses

110,000 BUSINESSES



50 STATES



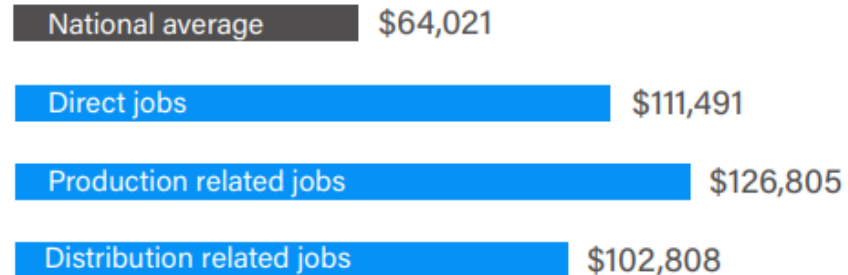
89% Small businesses employing fewer than 10 people

Source: Motion Picture Association and Bureau of Labor Statistics

The industry provides quality jobs, with higher than average salaries.

74% higher salary than the national average for direct jobs overall

98% higher salary than the national average for production jobs



Source: Motion Picture Association and Bureau of Labor Statistics

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Film/TV Benefits in Texas

- **National Geographic's *The Long Road Home***
 - Hired 40 crew and 3 cast members from the Killeen area
 - Combat medics and ER nurses from local schools were hired as extras
 - Booked more than 12,393 nights in hotels across shoot locations
- **HBO's *The Leftovers***
 - Generated \$1.49 million in direct economic impact to Lockhart's local economy
 - Total spend in the greater Austin area over \$30 million
- **DIY Network's *Texas Flip N Move***
 - Has employed more than 30 crew members and 75 construction workers in the greater Fort Worth area
 - \$1.5 million spent in materials at businesses within 100 miles of Fort Worth (2019 Q1)
- **NBC's *American Ninja Warrior***
 - 10-day shoot in San Antonio brought in nearly \$3.5 million to the city
- **20th Century Fox's *Alita: Battle Angel***
 - Over 200 painters and carpenters hired in Austin



Benefits to San Marcos

- **Growing industry in Texas with a strong economic impact**
 - \$250k per day is contributed to the local economy on average by a major motion picture shooting on location
 - \$150k per day on average by a single one-hour tv episode shooting on location
- **Local vendors will benefit from work on projects**
 - Ex. Caterers, dry cleaners, lumber suppliers, digital equipment suppliers, electricians, commercial real estate agents, tailors, plumbers, carpenters
 - The film industry in Georgia supports over 33,000 additional jobs in other industries
- **Potential for collaboration with Texas State University and San Marcos CISD for internships and training opportunities**



EDSM Recommendation

- **November 5, 2021: Voted 8-1 to approve a motion recommending City Council execute a Chapter 380 agreement with Project Dark Monday over 5 years, beginning at 100% and decreasing by 20% each year.**
 - Comments in support of the motion were that the project will be transformational to the area economy and school district and is an opportunity to grow the community and impact the local educational system at multiple levels
 - Comments against the motion were concerns about the type of industry the project is in and its hiring practice and potential lack of unions



Economic Impact Analysis



Property Taxes

Year 1 is 2025 after complete buildout

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
City Rebate %	90%	80%	60%	40%	20%	0%	0%	0%	0%	0%	
Amount retained by City	\$161K	\$323K	\$645K	\$968K	\$1.29M	\$1.6M	\$1.6M	\$1.6M	\$1.6M	\$1.6M	\$11.4M
Amount rebated	\$1.45M	\$1.29M	\$968K	\$645K	\$323K	\$0	\$0	\$0	\$0	\$0	\$4.6M
SMCISD Property Tax (no rebate)	\$3.1M	\$3.1M	\$3.1M	\$3.3M	\$3.1M	\$3.1M	\$3.1M	\$3.1M	\$3.1M	\$3.1M	\$31.3M

The City is expected to collect an additional \$2.1 million in property taxes in 2023-2024 before the incentive is active in Year 2025

Return on property tax incentive – 249%

Payback period – 5 years 9 months



Recommendation

- **Staff recommends a Chapter 380 Agreement rebating property tax at the following rate:**
 - Year 1: 90%
 - Year 2: 80%
 - Year 3: 60%
 - Year 4: 40%
 - Year 5: 20%



Questions