



Consider Approval of a Chapter 380 Agreement with Project Cat Tree

July 1, 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

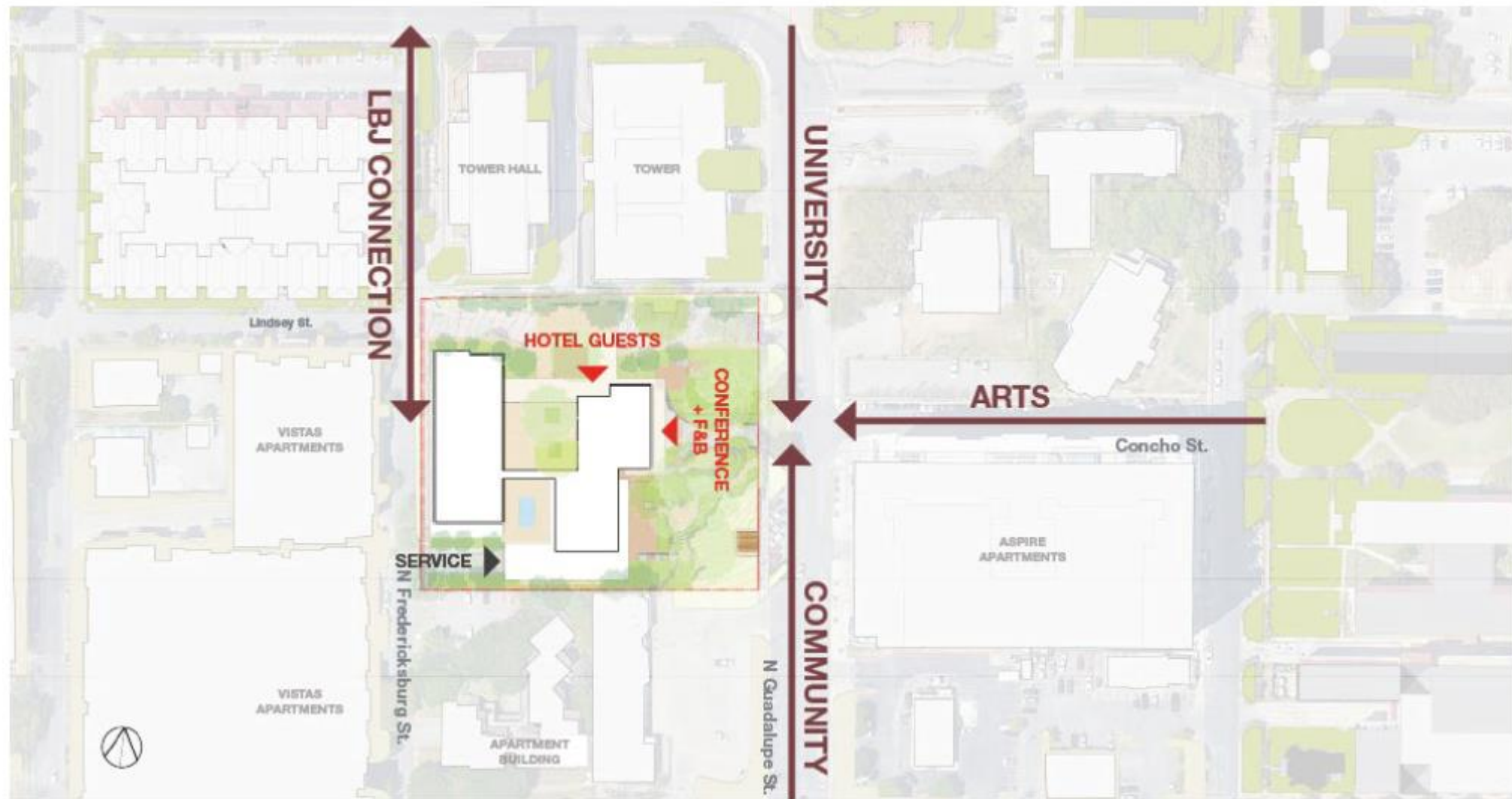
Project Site

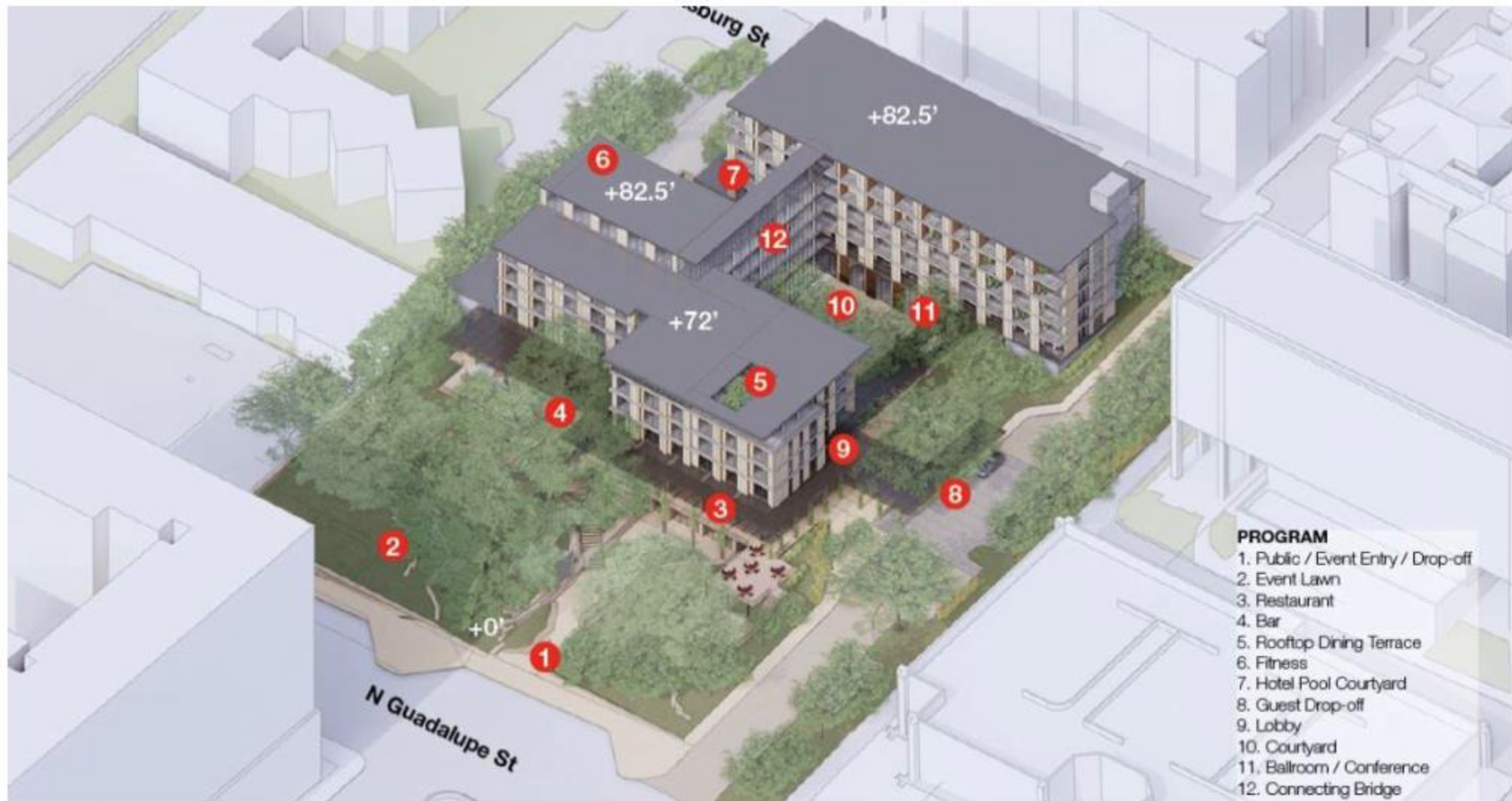
N. Guadalupe St.

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 & Maintenance</i>	6-8
Total	207-256

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:

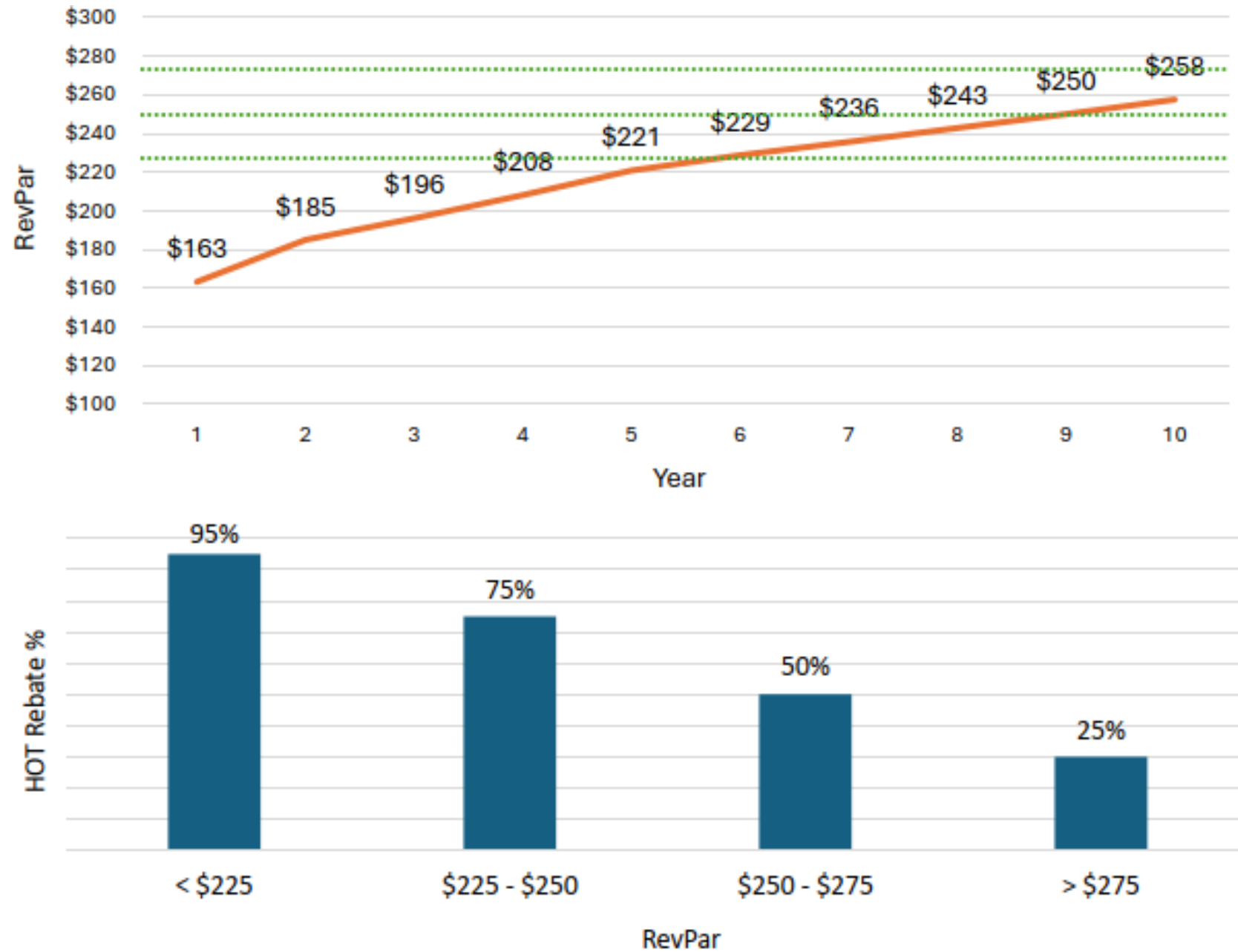
HOT Rebate % For Eligible Expenses	95%	75%	50%	25%
RevPar	<\$225	\$225-\$250	\$250-\$275	>\$275

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

*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

- 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 drawing down based on performance
- 95% HOT rebate over 10 years drawing down based on performance
- Construction sales tax rebate
- Agreement term of 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
- 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
- Minimum 130 key hotel
- No rebate of property taxes – 100% capture by City, County, ISD
- 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
- 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



Questions