



Consider Approval of a Chapter 380 Agreement with MW Gas Lamp Industrial Park JV, LLC

September 6, 2022

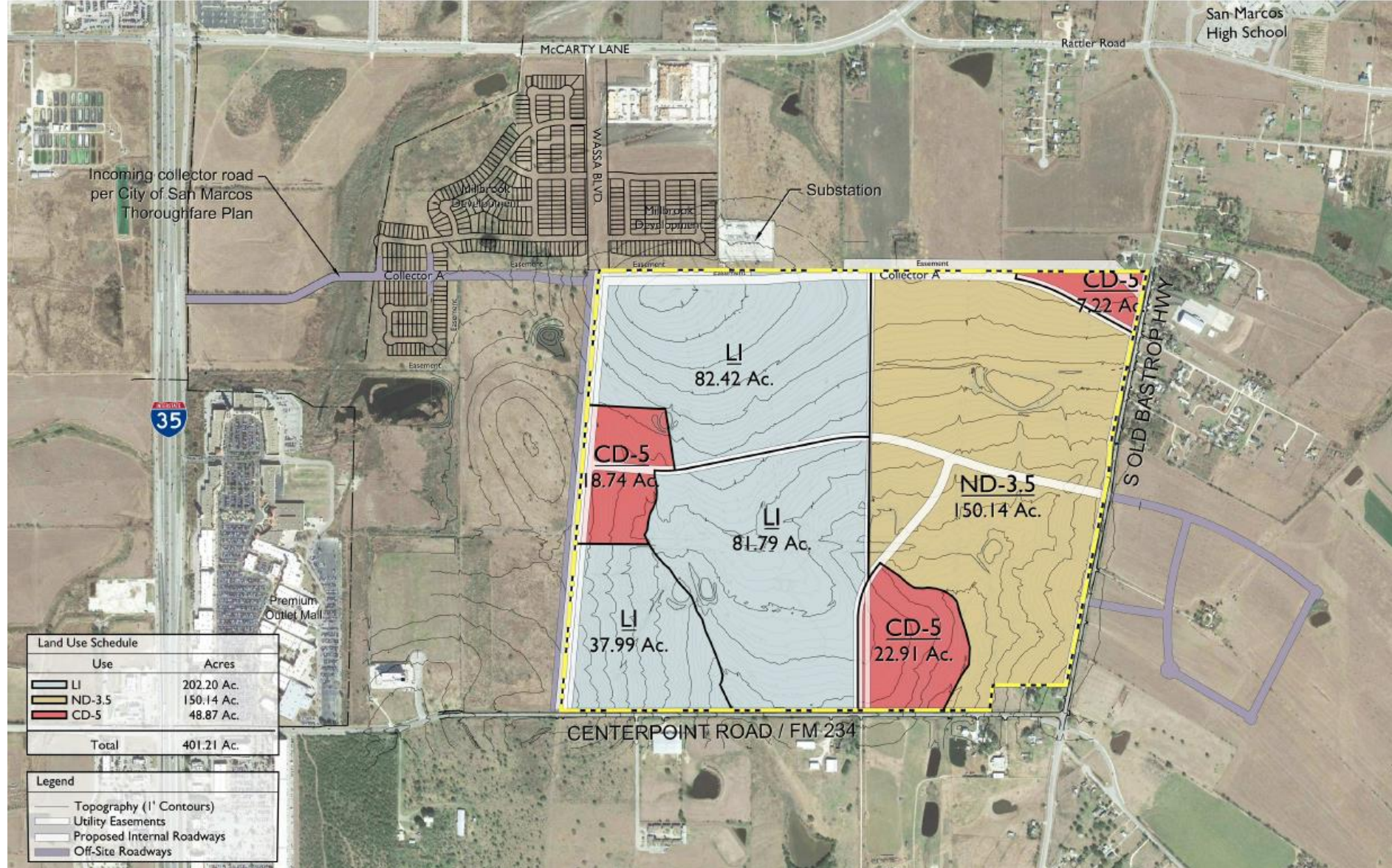


About the Project

- Joint venture between Walton and Majestic
- Speculative industrial
- 800,000 sf over 5 years (multiple buildings)
- Capital investment of \$41 million over 5 years; \$103 million over 10 years
- Construction expected to commence Q1 of 2024
- Anticipated completion in Q4 of 2033



Project Location





Environmental Analysis

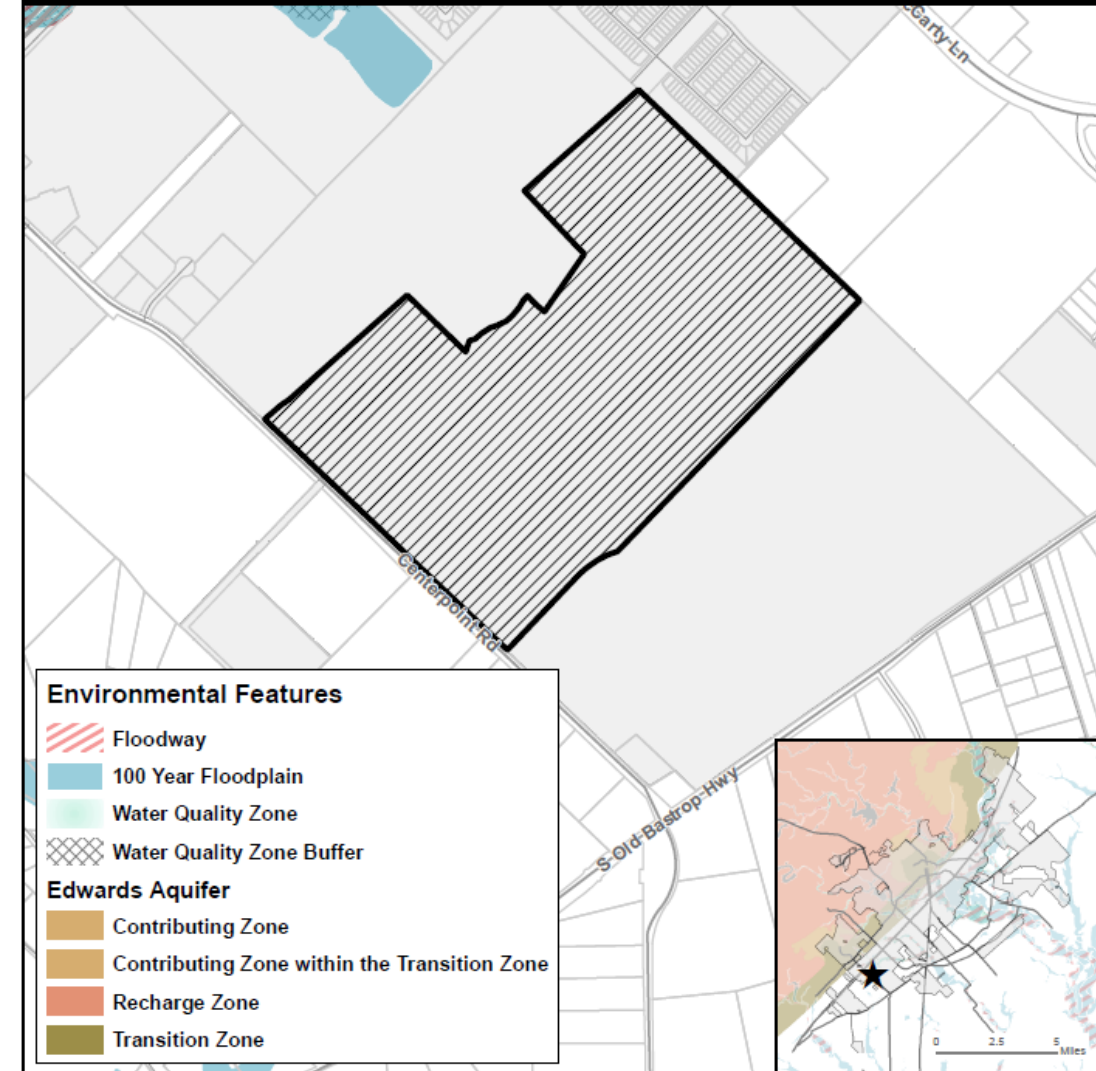
Not Located within

- Any Edwards Aquifer Zone
- 100-yr Floodplain
- Water Quality Zone

Agreeable to include list of
“prohibited uses” in Chapter 380
agreement

e.g. Acid manufacturing,
vehicle wrecking yard, junk
yard, smelting, etc.

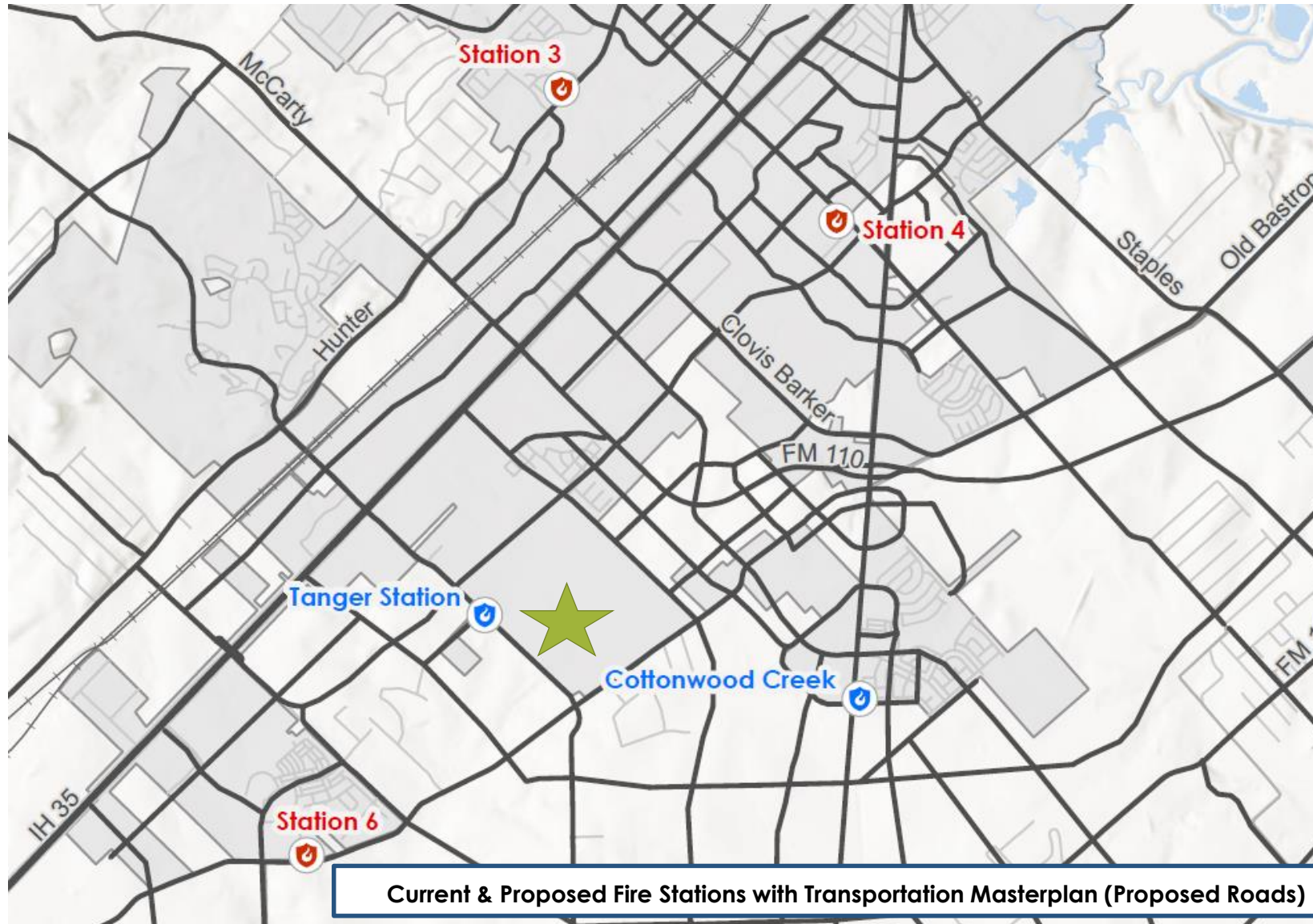
ZC-22-10 Environmental Features SC to LI - Gas Lamp at Centerpoint Rd





Proximity to Fire Stations

Current & Proposed Fire Stations with Transportation Masterplan (Proposed Roads)



Subject site



Proposed Fire Station



Existing and In-Progress Fire Station

Current & Proposed Fire Stations with Transportation Masterplan (Proposed Roads)

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Policy and Discussion Timeline

The new economic development policy does not consider incentives for prospects if a development permit has already been submitted; however, staff recommends City Council consider this project as the development application was submitted far in advance of the new policy adoption

- **August 26, 2021** – First meeting with staff to discuss project
- **January 26, 2022** – Submitted zoning application
- **May 3, 2022** – Council adopted new economic development policy
- **May 4, 2022** – Submitted incentive application
- **May 26, 2022** – Presented at EDSM
- **June 7, 2022** – Presented in City Council executive session
- **July 28, 2022** – Applicant submitted updated capital investment and building square footage
- **August 2, 2022** – Zoning 1st reading; next step is 2nd reading



Proposal Comparison

June 7 Executive Session

- 2.6 million sf
- Capital investment of \$177 M
- 4 phases of 2 buildings each
- New phase starting every year for first 4 years;
 - Starting 1Q 2023 and anticipated completion by Q4 2026

August 16 Executive Session

- 800,000 sf
- Capital investment \$103 M
 - \$41 M in 5 years; \$103 M in 10 years
- No set phasing for construction
- More flexibility for developer in uncertain market
- Less firm commitment for the City
- Prohibited uses incorporated



Market Demand

- Industrial vacancy rates across the country are at 3.4%
 - Austin vacancy rates at 3% (Q1 2022)
- Increasing interest in existing industrial space
 - Requests for existing industrial space in San Marcos area (October 2021-March 2022)

Demand for Existing Industrial Space (Requests for Information)

10,000-50,000 sf	50,000-100,000 sf	100,000-500,000 sf	500,000+
19	7	18	7



Philanthropy & Sustainability

- Focused on active philanthropy with financial support and volunteerism
 - Focus on youth, education, family, health, and violence prevention
 - Assistance with veteran homelessness, PTSD focus, and K9 service support
 - Has actively reached out to explore potential partnerships with local non-profits
- Layout uses existing and natural buffers
- Reduction in water needs for landscaping using native drought resistant plants
- Reduction in water needs by using low flow fixtures throughout the premises
- All interior and exterior lighting is controlled with timers and motion/light sensors
- Plan to reduce construction waste, increase reuse of materials, increase use of recycled content, and increase in sourcing materials from the region



Traffic Mitigation

- Developer will conduct a traffic impact analysis which will review the existing conditions, site access and circulation, effects of new trips on roadways and intersections, and provide a list of necessary improvements to ensure traffic is handled at a satisfactory level
 - Including surrounding major intersections including IH-35 and Centerpoint Road, Wassar Blvd and McCarty, and Rattler Road and Old Bastrop Hwy.
- Developer will construct at own cost and dedicate Wassar Blvd to the City
- Developer will construct at own cost any other improvements to existing roadways identified by Traffic Impact Analysis



EDSM Recommended Incentive

Considering 2.6 million sf commitment, \$177 million capital investment, 4 phases built over 4 years

- Score received: 74.5 points per Economic Development Policy (maximum eligible incentive is 70% of the 10 year total tax liability)
- Economic Development San Marcos Board voted 8-0 on May 26, 2022, to recommend this project to the City Council at the following level for each phase.
 - Year 1: 100%
 - Year 2: 75%
 - Year 3: 50%
- With the incentive decreasing as occupancy increases
- Council gave direction June 7, 2022, to continue with the following levels:
 - Year 1: 90%
 - Year 2: 75%
 - Year 3: 50%



Updated Incentive

Considering 800,000 sf, \$103 million capital investment, and no phases

- Following updates to proposed capital investment and square footage, Council gave direction August 16 to consider instead a 50% rebate for each building for 3 years each
 - Each building limited to 3 years of potential incentive
 - Incentive decreasing as occupancy increases based on square footage by December 31 annually
 - Maximum term of entire agreement is 10 years
- A 50% tax rebate over 10 years
 - Provides more consistency with lack of firm construction schedule
 - Gives more regular basis for rebate calculation over the extended period
 - Is more efficient to track compliance by staff as each building is subject to a maximum of 50% rebate at any time



Potential Revenue to the City & Others

Scenario 1: 50% based on expected capital investment schedule over 10 years

	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
City Rebated	\$17K	\$62K	\$76K	\$100K	\$124K	\$141K	\$194K	\$228K	\$280K	\$311K	\$1.5M
City Retained	\$17K	\$62K	\$76K	\$100K	\$124K	\$141K	\$194K	\$228K	\$280K	\$311K	\$1.5M

Return on City incentive over 10 years:

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

(\$3M in generated property taxes - \$1.5M in rebate)/ \$1.5M in rebate = 1.0 or 100%

10 year taxes collected to Hays County is \$1.8M

10 year taxes collected to San Marcos CISD is \$5.9M



Potential Revenue to the City & Others

Scenario 2: 50% for 3 years each for a new building built every year over 10 years

	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
City Rebated	\$17K	\$62K	\$76K	\$83K	\$62K	\$66K	\$93K	\$104K	\$138K	\$118K	\$819K
City Retained	\$17K	\$62K	\$76K	\$118K	\$187K	\$218K	\$294K	\$353K	\$422K	\$505K	\$2.3M

Return on City incentive over 10 years:

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

(\$3M in generated property taxes - \$819K in rebate)/ \$819K in rebate = 2.7 or 270%

10 year taxes collected to Hays County is \$1.8M

10 year taxes collected to San Marcos CISD is \$5.9M



Recommendation

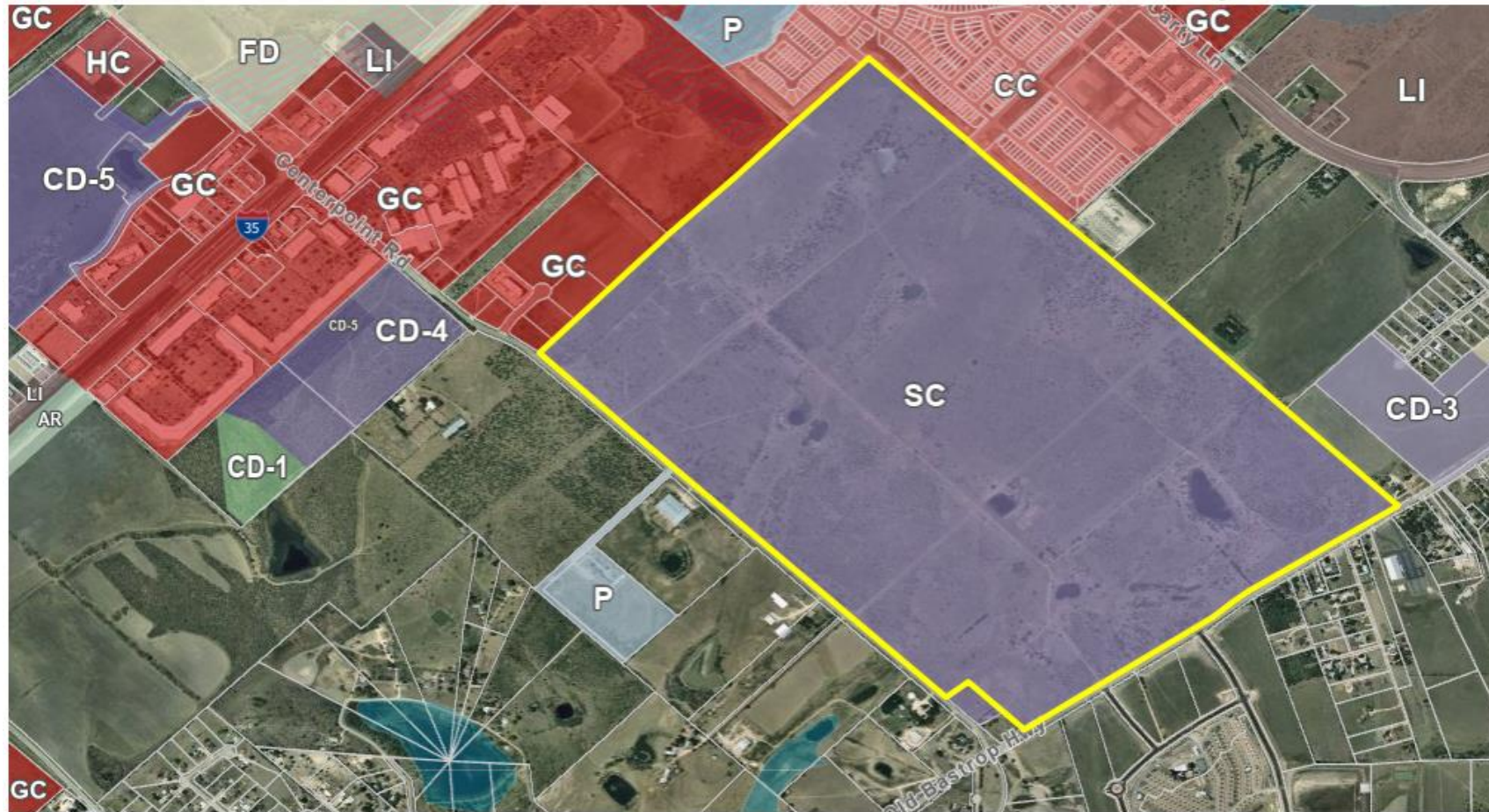
- Staff recommends Council consider a Chapter 380 economic development incentive agreement with MW Gas Lamp Industrial Park JV, LLC
 - This agreement would provide a rebate of 50% for 3 years for each building for a maximum total agreement term of 10 years. The incentive will only be in place for unoccupied portions of the building on December 31 annually.



Questions



Project Location



This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.

Date: 6/22/2022

SAN MARCOS Planning and Development Services



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Buffer from Residential

