



# City of Fredericksburg

## CITY COUNCIL SPECIAL MEETING AGENDA

MONDAY, JANUARY 31, 2022 ~ 1 P.M.

LADY BIRD GOLF COURSE-CARDINAL ROOM

341 GOLFERS LOOP – FREDERICKSBURG, TEXAS 78624

Charlie Kiehne, Mayor  
Tom Musselman, Councilmember  
Bobby Watson, Councilmember

Jerry M. Luckenbach, Councilmember  
Kathy O'Neill, Councilmember  
Kent Myers, City Manager

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The City of Fredericksburg City Council will meet in a Special Meeting on Monday, January 31, 2022 at 1 p.m.

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### 1. CALL TO ORDER

### 2. PLEDGE OF ALLEGIANCE

### 3. PUBLIC COMMENTS

The City Council welcomes citizen participation and comments at all City Council Special Meeting. The City Council offers citizens the opportunity to address them by signing up to speak prior to the meeting and to limit comments to 3-minutes.

*NOTE: The Texas Open Meetings Act permits a member of the public or a member of the governmental body to raise a subject that has not been included in the notice for the meeting. However, any discussion of the subject must be limited to a proposal to place the subject on the agenda for a future meeting and any response to a question posed to the City Council is limited to either a statement of specific information or recitation of existing policy. TEX. GOV'T CODE § 551.042.*

**Written Comments:** to be submitted remotely:

1. Must be received by 11 a.m. on January 31, 2022.
2. Complete the Citizen Comment Form online at [Fredericksburg, TX - Official Website \(fbgtx.org\)](http://Fredericksburg.TX-OfficialWebsite(fbgtx.org)); or
3. Email your comments to [CitizenComments@fbgtx.org](mailto:CitizenComments@fbgtx.org) or
4. Complete a Citizen Comment Form located inside the Public Access entrance at 126 W. Main Street, Fredericksburg, Texas, and place in the box marked Citizen Comment Form.

Copies of the submitted comments will be provided to the City Council and made public on the City website under the "January 31, 2022, City Council Special Meeting" tab.

**Verbal Comments:**

1. Sign up in-person between 12:30 p.m. and 1 p.m. at the Golf Course-Cardinal Room in order to comment.
2. You will be limited to 3 minutes to speak.

### 4. DISCUSSIONS, APPROVALS AND AUTHORIZATIONS

The following items will be to consider, discuss, and take appropriate action on:

- A. Joint City/County Draft Resolution on the Relief Route (Kent Myers, City Manager).

(Agenda Packet Pages 3-6)

- B.** The need for new Municipal Court space (Kent Myers, City Manager)  
(Agenda Packet Pages 7-14)
- C.** Conference Center Hotel Feasibility Study and issuance of Request for Proposals for Hotel/Conference Center Project (Kent Myers, City Manager).  
(Agenda Packet Pages 15-62)
- D.** Future Debt Financing for Street Improvements and Construction of Public Safety Building (Kent Myers, City Manager)  
(Agenda Packet Pages 63-70)
- E.** Annexation Priorities for 2022 (Kent Myers, City Manager)  
(Agenda Packet Pages 71-81)

## **5. EXECUTIVE SESSION**

The City Council will recess its open meeting and reconvene in Executive Session pursuant to Texas Government Code Section 551.071 (Consultation with Attorney) and 551.074 (Personnel Matters):

- A.** Consider and discuss Coalition of Post Oak Property Owners, an Unincorporated Nonprofit Association v. The City of Fredericksburg, pending in the 216th District Court [551.071(1)], and
- B.** Consider and discuss E. 290 Owners Coalition vs. City of Fredericksburg, Texas, pending in the Supreme Court of Texas [551.071(1)],
- C.** Consider and discuss the appointment, evaluation, and/or duties of a public officer or employee, specifically the City Manager (Section 551.074)

## **6. BUSINESS ITEM**

The City Council will reconvene into Regular Session upon the conclusion of the Executive Session; the City Council may take action on any item posted in Executive Session, as necessary.

## **7. ADJOURN**

This is to certify that I, Shelley Goodwin, posted this Agenda at 11:30 a.m. on January 26, 2022, at the entrance and on the bulletin board of the City of Fredericksburg City Hall, 126 W. Main St., Fredericksburg, Texas.

  
Shelley Goodwin, TRMC  
City Secretary



## CITY COUNCIL MEMO

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**DATE:** January 25, 2022  
**TO:** Mayor and City Council  
**FROM:** Kent Myers, City Manager  
**SUBJECT:** Joint City/Council Resolution-Relief Route

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### **Summary:**

The attached joint City/Council Resolution communicating the position of the City Council and County Commissioners on the proposed Relief Route has been drafted based upon direction from the Mayor and County Judge.

### **Recommendation:**

It is recommended that the City Council discuss this draft and provide staff with suggestions on any changes to needed to this resolution. It is recommended that this resolution then be discussed with TXDOT officials prior to formal consideration by the City Council and County Commissioners in February or March.

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### **Background / Analysis:**

A Relief Route Task Force was appointed about nine years ago to consider the feasibility of developing a Relief Route that would improve traffic conditions in our community. Several public meetings and open houses have been held over the past several years to solicit public input on the proposed Relief Route. In addition, a comprehensive Relief Route Feasibility Study was completed several years ago which included the location of the "technically preferred route. This study was jointly funded by TXDOT, the City and the County.

The City of Fredericksburg

Late last year the Relief Route Task Force completed their work on researching and presenting information on the proposed Relief Route. One of their final tasks was preparing a brochure including various factual information on the Relief Route. This brochure was then mailed to all registered voters in Gillespie County.

In December the Mayor and County Judge met and discussed the lack of community support that they had received for the Relief Route. It was agreed at this meeting that a joint City/County resolution on the Relief Route be prepared and presented to the City Council and County Commissioners for their consideration.

**Attachments:**

Draft Joint City/County Resolution

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**Department Approval**

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**City Manager Approval**

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**City Attorney Approval**

**CITY RESOLUTION No. \_\_\_\_\_**  
**COUNTY RESOLUTION No. \_\_\_\_\_**

**A JOINT RESOLUTION OF THE CITY OF FREDERICKSBURG, TEXAS, AND GILLESPIE COUNTY, TEXAS, TO DISCONTINUE ALL EFFORTS TO DESIGN AND CONSTRUCT THE PROPOSED RELIEF ROUTE PROJECT.**

**WHEREAS**, since the 1960's, the City of Fredericksburg ("City") and Gillespie County ("County") have been discussing the concept of constructing a Relief Route around the City that would improve local traffic conditions; and

**WHEREAS**, in 2013 the City and County created a Relief Route Task Force with local citizens appointed to gather information on the viability of the Relief Route; and

**WHEREAS**, the City, County and the Texas Department of Transportation (TxDOT) funded a comprehensive feasibility study on the Relief Route that was completed in 2020; and

**WHEREAS**, this study included evaluation of several possible locations for the Relief Route with Route E being selected as the technically preferred route location; and

**WHEREAS**, this technically preferred route location would require the acquisition of approximately 294 acres of property for the right-of-way for the Relief Route; and

**WHEREAS**, the Relief Route Task Force has estimated that the right-of-way acquisition costs will be a minimum cost of \$40 million, and these costs would be the responsibility of City and County taxpayers; and

**WHEREAS**, the funding for this right-of-way cost would likely have to be funded by bonds approved by local voters; and

**WHEREAS**, this information has been shared with local residents in a brochure that was distributed to all registered voters in the County; and

**WHEREAS**, based upon recent input from voters in the County, there appears to be minimal support for financing these right-of-way acquisition costs.

**NOW, THEREFORE, BE IT JOINTLY RESOLVED BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS, AND BY THE COMMISSIONERS COURT OF GILLESPIE COUNTY, TEXAS:**

**Section 1.** That the City Council and the Commissioners Court hereby resolve to discontinue efforts to design and construct the Relief Route, and in doing so, want to express their appreciation to TxDOT and members of the Relief Route Task Force for their recent efforts to study the feasibility of this proposed transportation project.

**Section 2. *Effective Date.*** This Resolution shall be effective upon its passage by both the City and County.

PASSED AND APPROVED by the CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS on this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

By:

\_\_\_\_\_  
Charlie Kiehne, Mayor  
City of Fredericksburg, Texas

ATTEST:

\_\_\_\_\_  
Shelley Goodwin, TRMC, City Secretary

PASSED AND APPROVED by the COMMISSIONERS COURT OF GILLESPIE COUNTY, TEXAS on this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

By:

\_\_\_\_\_  
Mark Strocher, County Judge  
Gillespie County, Texas

ATTEST:

\_\_\_\_\_  
Mary Lynn Rusche, County Clerk  
Gillespie County, Texas



## CITY COUNCIL MEMO

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**DATE:** January 24, 2022  
**TO:** Mayor and City Council  
**FROM:** Kent Myers, City Manager  
**SUBJECT:** Municipal Court Lease Space

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### **Summary:**

Recently concerns have been expressed about the space that is currently being leased at 103 Industrial Loop for our Municipal Court. A discussion on these concerns has been added to the agenda for the January 31<sup>st</sup> Council meeting.

### **Recommendation:**

Following discussion on this agenda item it is recommended that the City Council provide staff with direction on how you want to proceed with addressing the issue of Municipal Court workspace. This includes any cost limitations that you have for this space, location requirements and any other factors that need to be considered for a new Municipal Court location.

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### **Background / Analysis:**

In 2018, the City had to relocate our Municipal Court operations to 103 Industrial Loop due to the County needing the previous Court workspace in the Gillespie County Annex. The current space is limited, and it is difficult to hold Court sessions at this location. We have recently attempted to use some of the County 's space located at the County Jail facility but have not been successful in getting approval from Gillespie County.

The City of Fredericksburg

Attached is the City's current lease for the space on Industrial Loop. As indicated, this lease has now expired, and we are on a month-to-month basis with the building owner. Also, please note that this space is leased at the monthly rate of \$1711.83 (\$1500 a month plus the CPI increases over the past three years).

The City is getting ready to retain an architectural firm to design a new Public Safety building which will include new Municipal Court offices and space for holding the Court. However, this facility is at least two years away from being designed, financed, and constructed. So, in considering a new location for the Municipal Court, we will need this space for at least 2-3 years.

**Attachments:**

Current Municipal Court Lease Agreement

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 _____ <b>Department Approval</b>	 _____ <b>City Manager Approval</b>
 _____ <b>City Attorney Approval</b>	

This Commercial Lease Agreement ("Lease") is made and effective Sept 1, 2018, by and between Allen and Molly Nance ("Landlord") and the City of Fredericksburg, Texas ("Tenant").

Landlord is the owner of land and improvements commonly known and numbered as 103 Industrial Loop, Fredericksburg, TX 78624 and legally described as follows (the "Building"): The Mission; and

Landlord makes available for lease a portion of the Building designated as Suite 1000 (the "Leased Premises") consisting of approximately one thousand and five hundred square feet (1500 sq. ft.) of space; and

Landlord desires to lease the Leased Premises to Tenant, and Tenant desires to lease the Leased Premises from Landlord for the term, at the rental and upon the covenants, conditions and provisions herein set forth.

THEREFORE, in consideration of the mutual promises herein, contained and other good and valuable consideration, it is agreed:

1. **Term.**

A. Landlord hereby leases the Leased Premises to Tenant, and Tenant hereby leases the same from Landlord, for an "Initial Term" beginning Sept 1, 2018 and ending Aug 31, 2021.

B. Tenant may optionally renew the Lease for two renewal terms of up to 12 months per renewal term. Tenant shall exercise such renewal option, if at all, by giving written notice to Landlord not less than sixty (60) days prior to the expiration of the Initial Term. The renewal terms shall be at the rental rate set forth below and otherwise upon the same covenants, conditions and provisions as provided in this Lease.

2. **Rental.**

A. Tenant shall pay to Landlord during the Initial Term a rental rate of Eighteen Thousand dollars (\$18,000) per year, payable in monthly installments of One Thousand and Five Hundred dollars (\$1500). Each installment payment shall be due in advance on the first day of each calendar month during the lease term to Landlord at 103 Industrial Loop, Ste 10, Fredericksburg, TX 78624 or at such other place designated by written notice from Landlord or Tenant, provided that Landlord has delivered an invoice to Tenant for said installment payment. The rental payment amount for any partial calendar months included in the lease term shall be prorated on a daily basis. The first rental payment of One Thousand and Five Hundred dollars (\$1500) is due upon execution of this Lease and will be applied as the first month's rental rate payment.

B. The rental rate for any renewal term, if created as permitted under this Lease, shall be One Thousand and Five Hundred dollars (\$1500) per month plus the Consumer Price Index (CPI) increase since beginning of initial lease per year payable in monthly installments.

3. **Use**

Notwithstanding the foregoing, Tenant shall not use the Leased Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing or device. Any manufacturing operations will need to comply with current zoning.

4. **Sublease and Assignment.**

This lease cannot be assigned or sublet without written consent of the landlord, which will not be unreasonably withheld.

5. **Repairs.**

During the Lease term, Tenant shall make, at Tenant's expense, all necessary repairs to the Leased Premises. For the purposes of this Paragraph, necessary repairs shall include such items as routine repairs of floors, walls, ceilings, and other parts of the Leased Premises damaged or worn through normal occupancy, except for the exterior structure, subject to the obligations of the parties otherwise set forth in this Lease. Tenant is responsible for routine maintenance of the Leased Premises such as air conditioning filter replacement, pest control, light bulbs and any water treatment equipment.

6. **Alterations and Improvements.**

Tenant, at Tenant's expense, shall have the right following Landlord's consent and review of plans to remodel, redecorate, and make additions, improvements and replacements of and to all or any part of the Leased Premises inside the exterior walls as Tenant may deem desirable, provided the same are made in a workmanlike manner and utilizing good quality materials.

Tenant shall have the right to place and install personal property, trade fixtures, equipment and other temporary installations in and upon the Leased Premises, and fasten the same to the premises. All personal property, equipment, machinery, trade fixtures and temporary installations, whether acquired by Tenant at the commencement of the Lease term or placed or installed on the Leased Premises by Tenant thereafter, shall remain Tenant's property free and clear of any claim by Landlord. Tenant shall have the right to remove the same at any time during the term of this Lease provided that all damage to the Leased Premises caused by such removal shall be repaired by Tenant at Tenant's expense.

Walls, doors, windows, electrical wiring, plumbing fixtures or any construction related materials shall not be considered personal property and shall not be removed.

7. **Property Taxes.**

Tenant shall pay prorated property taxes during the term of this Lease. The prorated share is 1500 of 20000 sq. ft.

8. **Insurance.**

A. Landlord shall maintain fire and extended coverage insurance on the Building and the Leased Premises in such amounts as Landlord shall deem appropriate. Tenant shall be responsible, at its expense, for fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Leased Premises.

B. Tenant and Landlord shall, each at its own expense, maintain a policy or policies of comprehensive general liability insurance with respect to the respective activities of each in the Building with the premiums thereon fully paid on or before due date, issued by and binding upon some insurance company approved by Landlord, such insurance to afford minimum protection of not less than \$1,000,000 combined single limit coverage of bodily injury, property damage or combination thereof. Landlord shall be listed as an additional insured on Tenant's policy or policies of comprehensive general liability insurance, and Tenant shall provide Landlord with current Certificates of Insurance evidencing Tenant's compliance with this Paragraph. Tenant shall obtain the agreement of Tenant's insurers to notify Landlord that a policy is due to expire at least (10) days prior to such expiration. Landlord shall not be required to maintain insurance against thefts within the Leased Premises or the Building.

9. **Utilities.**

Tenant shall pay all charges for gas, electricity, telephone, garbage and other services and utilities used by Tenant on the Leased Premises during the term of this Lease unless otherwise expressly agreed in writing by Landlord. In the event that any utility or service provided to the Leased Premises is not separately metered, Landlord shall pay the amount due and separately invoice Tenant for Tenant's pro rata share of the charges. Tenant shall pay such amounts within fifteen (15) days of invoice. Tenant acknowledges that the Leased Premises are designed to provide standard office use electrical facilities and standard office lighting. Tenant shall not use any equipment or devices that utilize excessive electrical energy or which may, in Landlord's reasonable opinion, overload the wiring or interfere with electrical services to other tenants.

10. **Signs.**

Following Landlord's consent, Tenant shall have the right to place on the Leased Premises, at locations selected by Tenant, any signs which are permitted by applicable zoning ordinances and private restrictions. Landlord may refuse consent to any proposed signage that is in Landlord's opinion too large, deceptive, unattractive or otherwise inconsistent with or inappropriate to the Leased Premises or use of any other tenant. Landlord shall assist and cooperate with Tenant in obtaining any necessary permission from governmental authorities or adjoining owners and occupants for Tenant to place or construct the foregoing signs. Tenant shall repair all damage to the Leased Premises resulting from the removal of signs installed by Tenant.

11. **Entry.**

Landlord shall have the right to enter upon the Leased Premises at reasonable hours to inspect the same, provided Landlord shall not thereby unreasonably interfere with Tenant's business on the Leased Premises.

12. **Parking.**

During the term of this Lease, Tenant shall have the non-exclusive use in common with Landlord, other tenants of the Building, their guests and invitees, of the non-reserved common automobile parking areas, driveways, and footways, subject to rules and regulations for the use thereof as prescribed from time to time by Landlord. Landlord reserves the right to designate parking areas within the Building or in reasonable proximity thereto, for Tenant and Tenant's agents and employees.

13. **Building Rules.**

Tenant will comply with the rules of the Building adopted and altered by Landlord from time to time and will cause all of its agents, employees, invitees and visitors to do so; all changes to such rules will be sent by Landlord to Tenant in writing. The initial rules for the Building are attached hereto as Exhibit "A" and incorporated herein for all purposes.

14. **Damage and Destruction.**

Tenant shall be responsible for all interior repairs to building fixtures. Landlord shall be responsible for all damage to exterior structure including walls, roof and pavement. Windows and doors that are damaged due to tenant use shall be repaired by tenant. Windows and doors damaged by weather or vandalism shall be repaired by Landlord.

15. **Default.**

Tenant shall notify Landlord if monthly rent is expected to be late more than 15 days.

16. **Quiet Possession.**

Landlord covenants and warrants that upon performance by Tenant of its obligations hereunder, Landlord will keep and maintain Tenant in exclusive, quiet, peaceable and undisturbed and uninterrupted possession of the Leased Premises during the term of this Lease.

17. **Condemnation.**

If any legally, constituted authority condemns the Building or such part thereof which shall make the Leased Premises unsuitable for leasing, this Lease shall cease when the public authority takes possession, and Landlord and Tenant shall account for rental as of that date. Such termination shall be without prejudice to the rights of either party to recover compensation from the condemning authority for any loss or damage caused by the condemnation. Neither party shall have any rights in or to any award made to the other by the condemning authority.

18. **Subordination.**

Tenant accepts this Lease subject and subordinate to any mortgage, deed of trust or other lien presently existing or hereafter arising upon the Leased Premises, or upon the Building and to any renewals, refinancing and extensions thereof, but Tenant agrees that any such mortgagee shall have the right at any time to subordinate such mortgage, deed of trust or other lien to this Lease on such terms and subject to such conditions as such mortgagee may deem appropriate in its discretion. Landlord is hereby irrevocably vested with full power and authority to subordinate this Lease to any mortgage, deed of trust or other lien now existing or hereafter placed upon the Leased Premises of the Building, and Tenant agrees upon demand to execute such further instruments subordinating this Lease or attorning to the holder of any such liens as Landlord may request. Tenant agrees that it will from time to time upon request by Landlord execute and deliver to such persons as Landlord shall request a statement in recordable form certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified), stating the dates to which rent and other charges payable under this Lease have been paid, stating that Landlord is not in default hereunder (or if Tenant alleges a default stating the nature of such alleged default) and further stating such other matters as Landlord shall reasonably require.

19. **Security Deposit.**

Security Deposit of \$1500 shall be held by Landlord and is refundable at end of lease if property is left in clean and good condition, reasonable wear and tear excepted. Good condition is defined as 1. Walls free of defects larger than small picture hanger holes. 2. All doors and locks in good working order. 3. Carpets and floors cleaned. 4. Sinks and toilet fixtures clean and operational. 4. Any damage ceiling and/or tiles repaired.

20. **Notice.**

After occupancy begins, any notice required or permitted under this Lease shall be deemed sufficiently given or served if sent by United States certified mail, return receipt requested, addressed as follows:

If to Landlord to: Allen and Molly Nance, 103 Industrial Loop, Ste 10, Fredericksburg, TX 78624.

If to Tenant to: City of Fredericksburg, Attn: City Manager, 126 W. Main, Fredericksburg, TX 78624.

Landlord and Tenant shall each have the right from time to time to change the place notice is to be given under this paragraph by written notice thereof to the other party.

21. **Brokers.**

Tenant represents that Tenant was not shown the Premises by any real estate broker or agent and that Tenant has not otherwise engaged in, any activity which could form the basis for a claim for real estate commission, brokerage fee, finder's fee or other similar charge, in connection with this Lease.

22. **Waiver.**

No waiver of any default of Landlord or Tenant hereunder shall be implied from any omission to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. One or more waivers by Landlord or Tenant shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

23. **Memorandum of Lease.**

The parties hereto contemplate that this Lease should not and shall not be filed for record, but in lieu thereof, at the request of either party, Landlord and Tenant shall execute a Memorandum of Lease to be recorded for the purpose of giving record notice of the appropriate provisions of this Lease.

24. **Headings.**

The headings used in this Lease are for convenience of the parties only and shall not be considered in interpreting the meaning of any provision of this Lease.

25. **Successors.**

The provisions of this Lease shall extend to and be binding upon Landlord and Tenant and their respective legal representatives, successors and assigns.

26. **Consent.**

Landlord shall not unreasonably withhold or delay its consent with respect to any matter for which Landlord's consent is required or desirable under this Lease.

27. **Performance.**

28. **Compliance with Law.**

Tenant shall comply with all laws, orders, ordinances and other public requirements now or hereafter pertaining to Tenant's use of the Leased Premises. Landlord shall comply with all laws, orders, ordinances and other public requirements now or hereafter affecting the Leased Premises. This Lease is subject to the availability and appropriation of budgeted funds by City beyond the City's current fiscal year, and upon an occurrence of non-appropriation by City in a future fiscal year, this Lease shall terminate immediately.

29. **Final Agreement.**

This Agreement terminates and supersedes all prior understandings or agreements on the subject

matter hereof. This Agreement may be modified only by a further writing that is duly executed by both parties.

30. **Governing Law.**

This Agreement shall be governed, construed and interpreted by, through and under the Laws of the State of Texas.

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

\_\_\_\_\_ Date \_\_\_\_\_  
**[Landlord] Allen Nance**

\_\_\_\_\_ Date \_\_\_\_\_  
**[Tenant] Fredericksburg City Manager Kent Myers**

**Exhibit A Building Rules**

1. All items placed outside of leased space, need to be approved by Landlord.



## CITY COUNCIL MEMO

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**DATE:** January 24, 2022

**TO:** Mayor and City Council

**FROM:** Kent Myers, City Manager

**SUBJECT:** Hotel/Conference Center

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**Summary:**

Over the past several months, four different development teams have approached the City to express interest in the Hotel/Conference Center project. The purpose of this agenda item at the next Council meeting is to discuss this renewed interest in the project and determine if the Council is interested in the issuance of a new Request for Proposals (RFP) for this project.

**Recommendation:**

As a result of the new interest in developing a hotel/conference center project in Fredericksburg, the CVB recently retained HVS Consulting to update their previous Conference Center Feasibility Study. It is recommended that the City Council review and discuss the attached updated Feasibility Study prepared by HVS at Monday's meeting. HVS representatives will be available via conference call to respond to any questions about this updated report.

In addition, representatives from the different development teams who are interested in submitting a proposal for this facility plan have been invited to attend Monday's meeting. I have requested that they each introduce themselves and provide brief comments about their interest in the project. However, they will not be making any formal presentation until they respond to the RFP if issued by the City.

Based upon this study and the comments from these developers, it is requested that the Council provide direction on whether the City should issue a new Request for Proposals (RFP) for this project. If so, the City, CVB and EDC will work together to develop this RFP. It would include updated information from the HVS study on the size of the Conference Center and any incentives available for the project.

The City of Fredericksburg

The State has approved certain incentives for one conference center project in Fredericksburg including the rebate of the 6% HOT tax revenues generated by the adjacent hotel for a 10-year period. The City previously approved an additional rebate of 1% of HOT revenues for the first 10 years of the project along with a rebate of the 7% City HOT revenues that the hotel generates for another 10 years of the project. Other incentives were requested by the developer such as property tax exemptions and waiver of certain fees. But the only incentive previously approved by the Council was the HOT revenue rebates. These incentives would all be negotiable with the developer selected for the project. The total amount of incentives approved by the Council might depend on the size and location of the Conference Center and the number of days that it would be available for use by the public.

If the Council agrees with issuance of a new RFP, we could also require more detailed information that supports the financial capabilities of the developers such as their total equity in the project. And the RFP would request a plan for recruitment of employees to staff the project since this is an ongoing community concern.

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**Background / Analysis:**

In 2015 the CVB retained HVS Consulting to prepare a detailed Market and Feasibility Study on the proposed Fredericksburg Conference Center. Following completion of this study documenting the feasibility of the conference center, the City solicited proposals for this project. Seven Hills was selected to develop the Conference Center on the site at the intersection of Highway 87N and 290W. However, these developers were not able to secure the financing for this project and their contract with the City was terminated.

Since that time, the CVB has continued to turn meeting business away from our City due to the lack of a medium-sized facility to accommodate the demand from various professional associations. In addition, limited space is available for public events such as graduations, the Annual Chamber Banquet and annual fund-raising events. Ernie and his staff will provide additional information at Monday's meeting on the types of meetings that they cannot accommodate.

**Attachments:**

Hotel/Conference Center Feasibility Study-HVS

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Department Approval

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City Manager Approval

The City of Fredericksburg



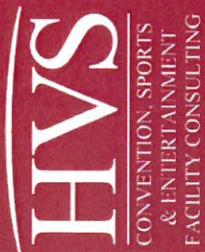
# Conference Center Hotel Feasibility Study

Fredericksburg, Texas

January 25, 2022



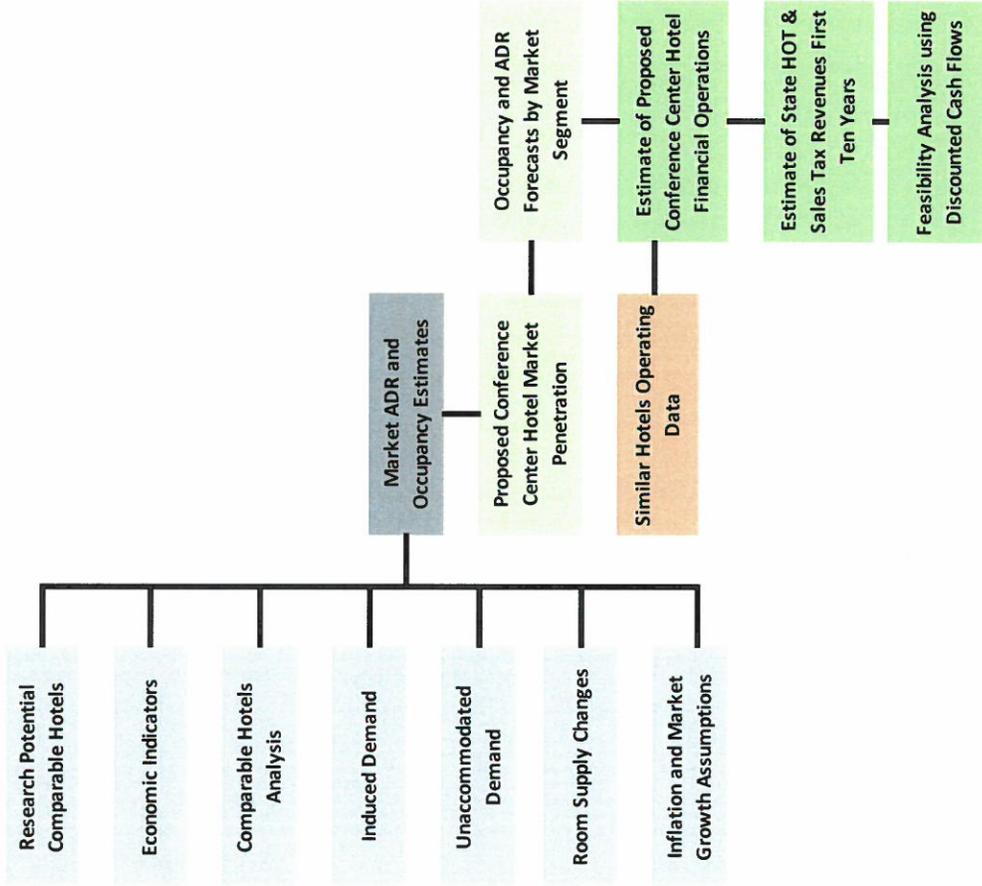
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# Lodging Market Analysis

# Hotel Feasibility Study Methodology

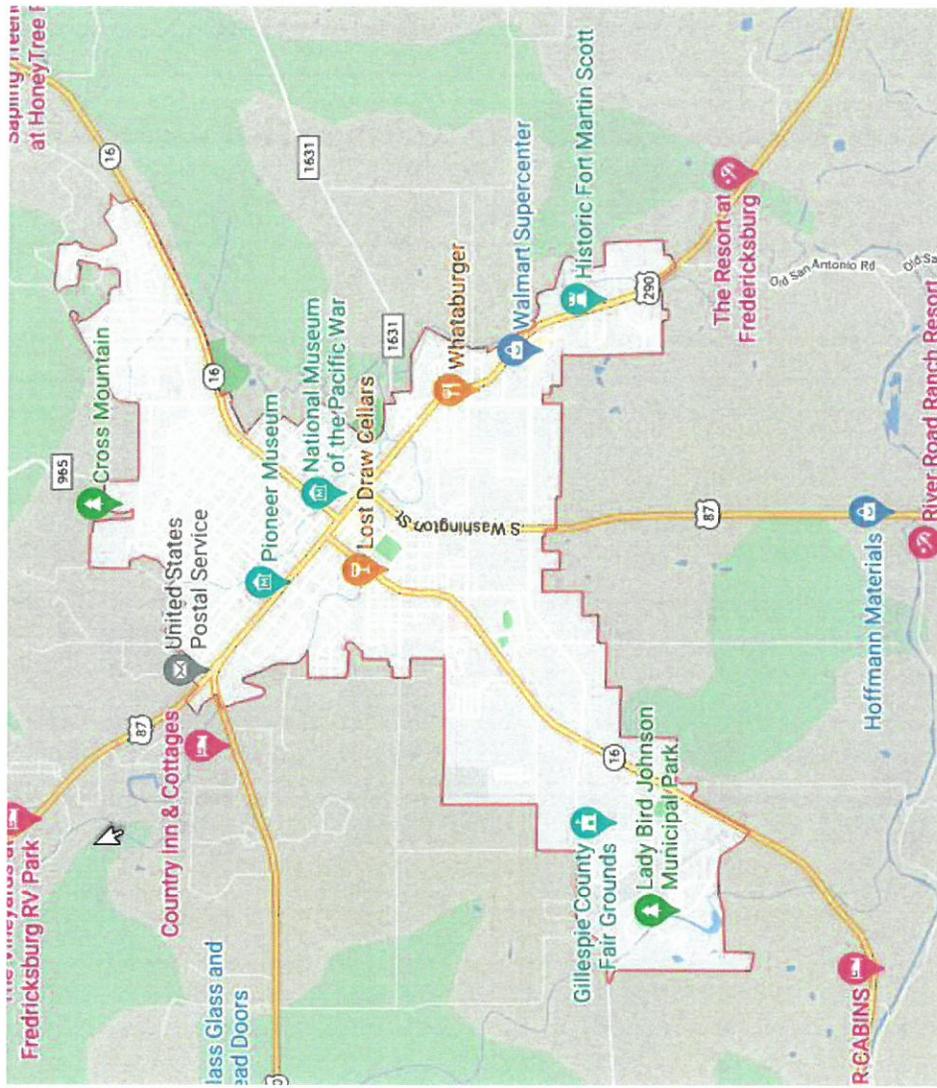


## Site

The site for the proposed Conference Center Hotel has not been selected.

The site would be either:

- Located within the City limits
- Be able to be annexed into the City



## Building Program

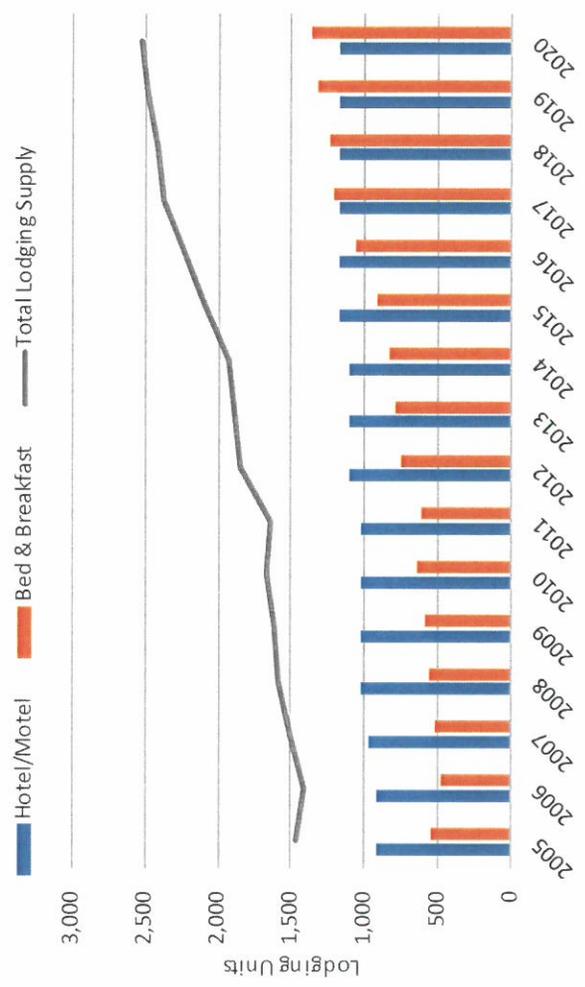
The proposed Conference Center Hotel would have a minimum of:

- 150 rooms
- 8,000 square foot ballroom
- 4,000 square feet of meeting rooms
- Restaurant with outside dining
- Lounge
- Pool bar with light food
- Outdoor pool and whirlpool
- Exercise room and business center

Guestroom Configuration	Keys
Kings	100
Queen/Queen Suites	40
Total (ADA-Compliant Rooms per Local Code)	10
	150
Food & Beverage Facilities	Seating Capacity
Full-Service with option Outside Dining Lounge	105
Pool Bar with Light Food	38
Total Food and Beverage Capacity	30
	173
Indoor Meeting & Banquet Facilities	Square Feet
Ballroom	8,000
Meeting Rooms (Six)	4,000
Total Sellable Meeting Space	12,000
Amenities & Services	
Outdoor Pool	Business Center
Outdoor Whirlpool	Market Pantry
Fitness Center	Guest Laundry Area
Infrastructure	
Parking Spaces Hotel	150 Spaces
Elevators	2 Guest/1 Service
Life Safety Systems	Sprinklers, Smoke Detectors
Construction Details	Building Height Restriction Three Stories



# Gillespie County Lodging Supply Growth 2005-2020



Source: Gillespie County Economic Development Commission

The number of bed & breakfast units overtook the hotel/motel room supply in 2017.

From 2005 to 2020, total lodging supply grew at an annual rate of 3.72%:

- Hotel/motel grew at 1.61%
- Bed & breakfast grew at 6.34%



# Gillespie County 2015-2020 Lodging Market

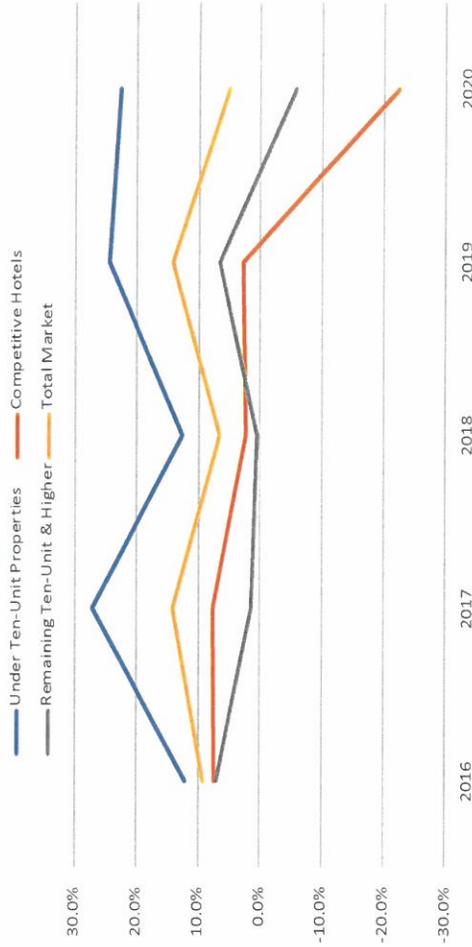
Gillespie County Lodging Market	2015		2016		2017		2018		2019		2020	
	Units	Gross Revenues										
Competitive Hotels	568	\$15,683,820	569	\$16,854,111	569	\$18,145,829	570	\$18,555,652	569	\$19,043,026	569	\$14,744,354
Remaining Ten-Unit & Higher	782	12,265,267	783	13,114,772	803	13,303,746	819	13,358,748	800	14,247,925	843	13,428,613
Under Ten-Unit Properties	745	18,790,614	873	21,104,048	1,002	26,883,641	1,022	30,292,226	1,120	37,748,730	1,112	46,360,575
Totals Lodging Revenues	2,095	\$46,739,700	2,225	\$51,072,931	2,374	\$58,333,216	2,411	\$62,206,626	2,489	\$71,039,682	2,524	\$74,533,541

Sources: Gillespie County Economic Development Commission & Texas Comptroller Office

## Lodging revenues:

- Grew at an annual rate of 9.8% from 2015 to 2020
- Did not expand for the competitive hotels due to lack of new supply and the impact of the COVID-19 pandemic
- The under ten-unit portion of the market grew to 62% of total lodging revenues in 2020 due to supply growth and the impact of the COVID-19 pandemic on larger properties

## Annual Change in Gross Revenues



Sources: Gillespie County Economic Development Commission & Texas Comptroller Office

## Gillespie County Lodging Market Revenue per Available Room 2015-2020

Gillespie County Lodging Market	2015	2016	2017	2018	2019	2020
Competitive Hotels	\$76	\$81	\$87	\$89	\$92	\$71
Ten-Unit & Higher Properties	43	46	45	45	49	44
Under Ten-Unit Properties	69	66	74	81	92	114
Total Lodging Market	61	63	67	71	78	81

Sources: Gillespie County Economic Development Commission & Texas Comptroller Office

Gillespie County properties with less than ten units had Revenues per Available Room Night ("RevPAR") greater than the Competitive Hotels. Due to the unit size and Average Daily Room Rate ("ADR"), HVS considers the under ten-unit properties in the Gillespie lodging market to be secondary competitors of the proposed Conference Center Hotel.

## The Competitive Hotels

HVS obtained information on the Competitive Hotels from Smith Travel Research and the Texas Comptroller Office. The selected properties submit ADR and occupancy information to Smith Travel Research.

HVS used 2019 data as the base year of our forecasts because it is more representative of a normal market than data from 2020 and 2021, during which the COVID-19 pandemic disrupted the lodging market.

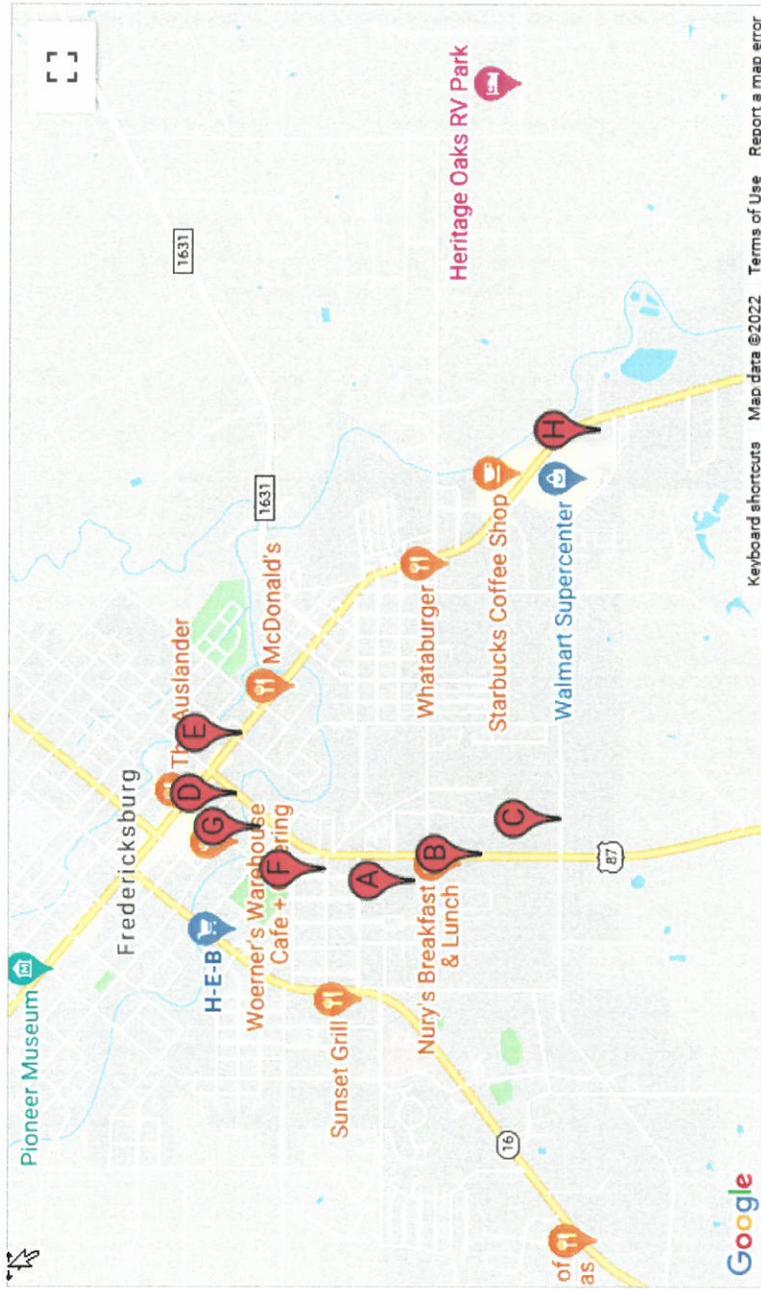
Property	STR Class	Opened	Rooms
Fredericksburg Inn & Suites	Upscale	Jun 1996	103
Inn On Barons Creek	Upscale	Mar 2005	90
Fairfield Inn & Suites Fredericksburg	Upper Midscale	Feb 2015	78
Holiday Inn Express & Suites Fredericksburg	Upper Midscale	Jun 2012	76
Comfort Inn & Suites Fredericksburg	Upper Midscale	May 2004	57
Best Western Plus Fredericksburg	Upper Midscale	Mar 2002	56
La Quinta Inns & Suites Fredericksburg	Upper Midscale	Nov 2004	55
Hampton Inn & Suites Fredericksburg	Upper Midscale	May 2007	55
<b>Total Rooms</b>			<b>570</b>

Source: Smith Travel Research

Primary Competitors	2018			2019		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Best Western	60%	\$131	\$79	60%	\$134	\$80
Comfort Inn & Suites	60%	\$93	56	60%	112	67
Fairfield Inn & Suites	69%	\$129	89	64%	123	79
Fredericksburg Inn & Suites	56%	\$169	94	55%	181	100
Hampton Inn & Suites	76%	\$175	133	75%	177	133
Holiday Inn Express & Suites	74%	\$126	93	74%	131	96
Inn On Barons Creek	60%	\$154	92	60%	161	97
La Quinta Inn & Suites Fredericksburg	60%	\$121	73	60%	129	77
<b>Total</b>	<b>64%</b>	<b>\$139</b>	<b>\$89</b>	<b>63%</b>	<b>\$146</b>	<b>\$92</b>

# Map of the Competitive Hotels

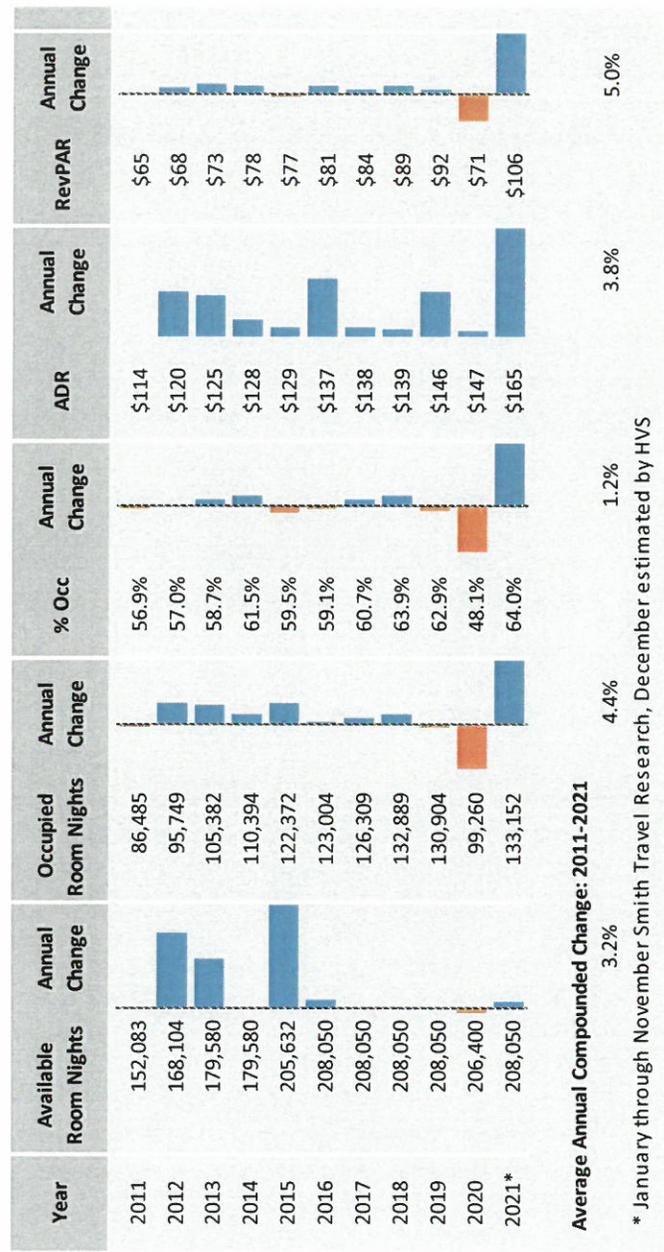
All the Competitive Hotels in Fredericksburg are near or in the downtown area. The properties are in either the upper midscale or upscale class as defined by Smith Travel Research.



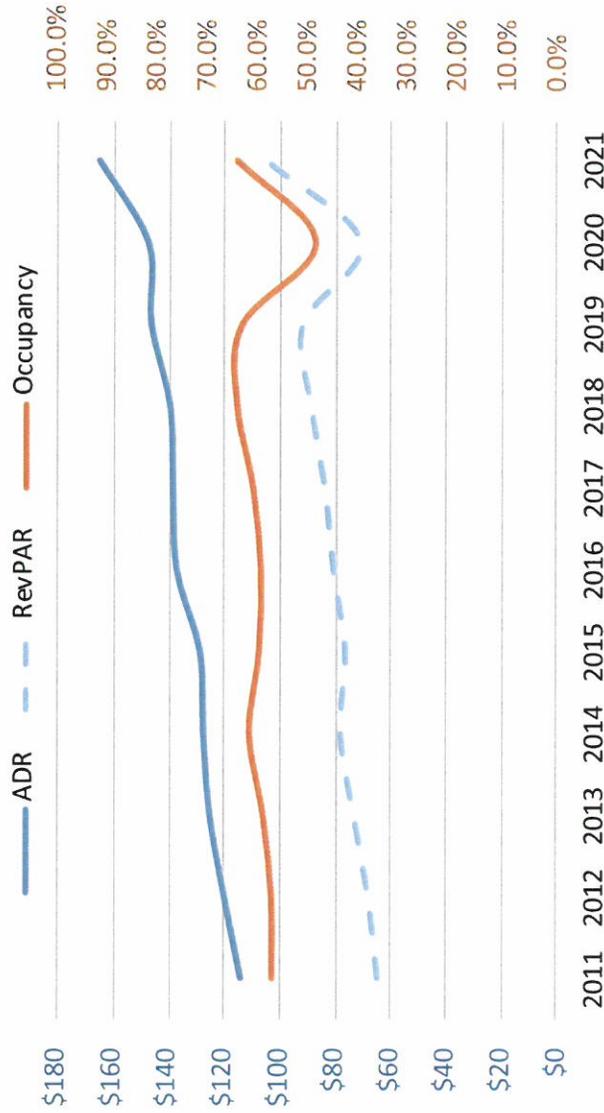
- A Best Western Plus Fredericksburg
- B Comfort Inn & Suites Fredericksburg
- C Fairfield by Marriott Fredericksburg
- D Fredericksburg Inn & Suites
- E Hampton by Hilton Fredericksburg
- F Holiday Inn Express Fredericksburg
- G Inn on Barons Creek
- H La Quinta Inn & Suites Fredericksburg
- I Nury's Breakfast & Lunch
- J Whataburger
- K Walmart Supercenter

## Historical Performance of the Competitive Hotels

- From 2011 to 2021, annual room night demand grew approximately 1.2% faster per year than available room nights, causing the occupancy rate to rise.
- The 76-room Holiday Inn Express & Suites Fredericksburg opened in 2012.
- The 78-room Fairfield Inn & Suites Fredericksburg opened in 2015.
- The COVID-19 pandemic caused sharp declines in impacted occupancy in 2020, but ADR held steady.
- The complete year of 2021 occupancy data was not available at the time of this writing. But, based on year-to-date data from Smith Travel Research, HVS estimates that 2021 ADR and Occupancy will exceed pre-COVID levels.



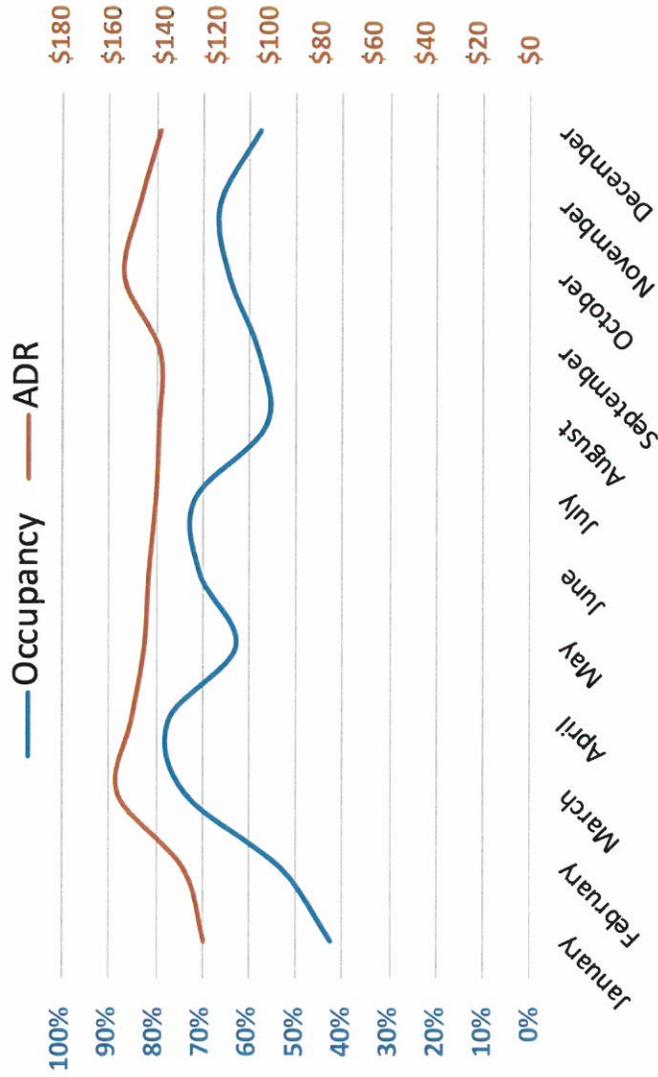
## ADR, RevPAR, & Occupancy of Competitive Hotels Ten-year Trends



Sources: Smith Travel Research & HVS

The Competitive Hotels' ADR and occupancy rates increased from 2011 to 2019. In 2020, the COVID-19 pandemic impacted room night demand, but ADR grew by .1%. In 2021, occupancy recovered, and ADR reached an all-time high. The growth of the non-traditional lodging market has slowed the long-term growth of ADR for the Competitive Hotels.

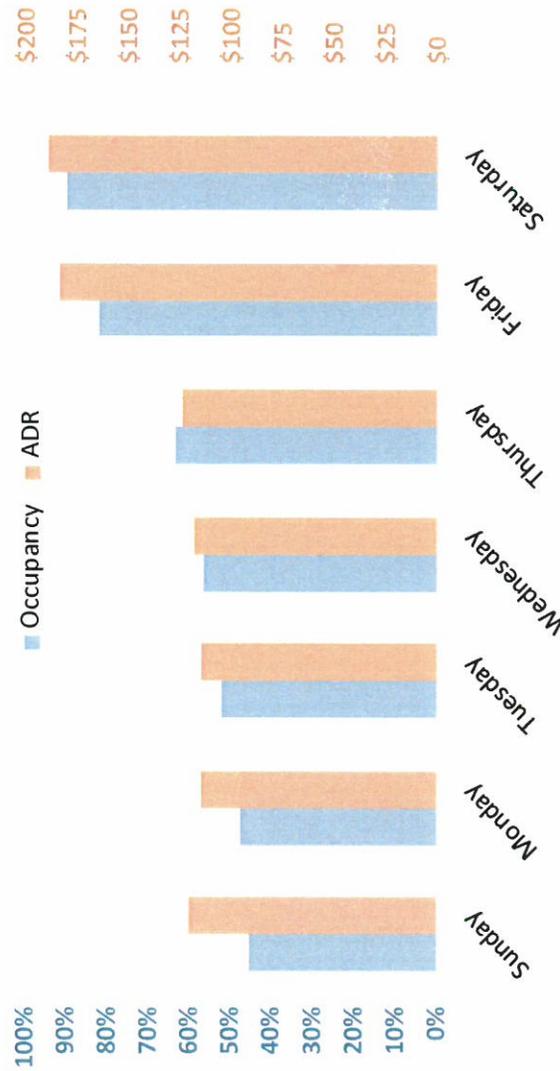
## ADR and Occupancy Monthly Trend of Competitive Hotels December 2020 through November 2021



Source: Smith Travel Research

The Competitive Hotels' occupancy and ADR are weakest in winter, with the highest occupancy in April and ADR in March.

## Competitive Hotels Day of Week Occupancy December 2018 through November 2021



Source: Smith Travel Research

The Competitive Hotels had the highest occupancy and ADR on Friday and Saturday. Sunday had the lowest occupancy, which is typical of most leisure markets. Interviews indicate the under ten-unit lodging supply had a similar occupancy distribution, with a higher percentage of total demand on the weekend. Weekday occupancy has increased over the last few years, and weekend occupancy decreased by a few percentage points.

## Year-to-Date Historical Performance of the Competitive Hotels

	Year-to-Date Through November		Percent Change
	2020	2021	
Room Night Demand	89,997	125,479	39.4%
Available Room Nights	188,730	190,380	0.9%
Occupancy	47.7%	65.9%	38.2%
ADR	\$146.76	\$168.86	15.1%
RevPAR	\$69.98	\$111.30	59.0%

Source: Smith Travel Research

Room night demand increased 39% year-to-date in 2021, increasing the occupancy rate to 66%.

## Daily Occupancy Rates of Competitive Hotels

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Dec - 20	46.3%	48.8%	44.0%	39.2%	47.3%	66.0%	82.1%	52.4%
Jan - 21	27.1%	20.5%	23.5%	25.8%	31.3%	64.0%	76.2%	40.0%
Feb - 21	54.7%	51.8%	54.0%	54.3%	62.6%	75.4%	83.1%	62.3%
Mar - 21	60.0%	59.0%	64.4%	69.5%	76.7%	91.5%	96.3%	73.0%
Apr - 21	56.5%	62.5%	71.3%	78.5%	81.8%	95.7%	97.3%	78.4%
May - 21	52.4%	43.6%	54.8%	61.6%	68.0%	90.8%	96.6%	66.6%
Jun - 21	56.0%	68.3%	70.2%	75.0%	83.4%	94.5%	97.1%	77.4%
Jul - 21	63.9%	63.8%	71.5%	77.1%	75.6%	85.5%	93.6%	76.7%
Aug - 21	38.2%	42.4%	47.8%	52.1%	57.1%	70.2%	80.1%	54.2%
Sep - 21	54.6%	45.3%	48.1%	50.7%	55.4%	78.8%	90.7%	60.0%
Oct - 21	49.5%	54.6%	66.1%	68.5%	70.6%	87.3%	92.4%	70.5%
Nov - 21	45.8%	51.2%	60.8%	57.9%	69.5%	89.5%	93.1%	66.1%
Total Year	49.8%	50.8%	56.5%	59.1%	64.9%	82.5%	89.9%	64.8%

Below Average  
Average  
Above Average

Source: Smith Travel Research

The Competitive Hotels show the strongest occupancy on Friday night (82.5%) and Saturday night (89.9%). Sunday night had the lowest occupancy (49.8%), typical for most markets. April had the highest monthly occupancy rate (78.4%), and January the lowest (40%).

# Daily ADR of Competitive Hotels

Month	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Dec - 20	\$127	\$124	\$126	\$124	\$135	\$195	\$201	\$153
Jan - 21	117	110	105	109	109	168	175	145
Feb - 21	110	105	106	106	108	157	159	126
Mar - 21	140	131	134	131	140	214	223	163
Apr - 21	142	131	136	139	145	226	225	171
May - 21	158	131	132	135	147	233	237	180
Jun - 21	140	135	135	139	151	243	245	174
Jul - 21	155	134	140	143	150	241	249	183
Aug - 21	135	127	127	128	138	222	223	164
Sep - 21	155	121	125	126	134	224	240	170
Oct - 21	142	135	135	140	148	248	257	186
Nov - 21	138	131	131	140	146	236	244	175
Average	140	128	130	132	140	220	225	168



Source: Smith Travel Research

The Competitive Hotels show the highest ADR on Friday and Saturday night. The other days of the week had a significantly lower ADR. October had the highest ADR at \$186, and February the lowest at \$126.

## Historic Competitive Lodging Supply

Competitive Lodging Supply			
	2018	2019	2020
Rooms Competitive Hotels	570	570	570
Percentage Competitive	100%	100%	100%
Rooms Under Ten-Unit Properties	1,022	1,120	1,112
Percentage Competitive	80%	80%	80%
<b>Competitive Lodging Supply</b>	<b>1,388</b>	<b>1,466</b>	<b>1,460</b>
RevPAR Competitive Hotels	\$89	\$92	\$71
RevPAR under Ten-Unit Properties	\$81	\$92	\$114
<b>Competitive Lodging Supply RevPAR</b>	<b>\$84</b>	<b>\$92</b>	<b>\$97</b>

Sources: Gillespie County Economic Development Commission, Texas Comptroller Office, and Smith Travel Research

The competitive lodging supply consists of Competitive Hotels and under ten-unit properties. The historical competitive lodging supply provides the foundation for projecting the ADR and occupancy of the proposed Conference Center Hotel.

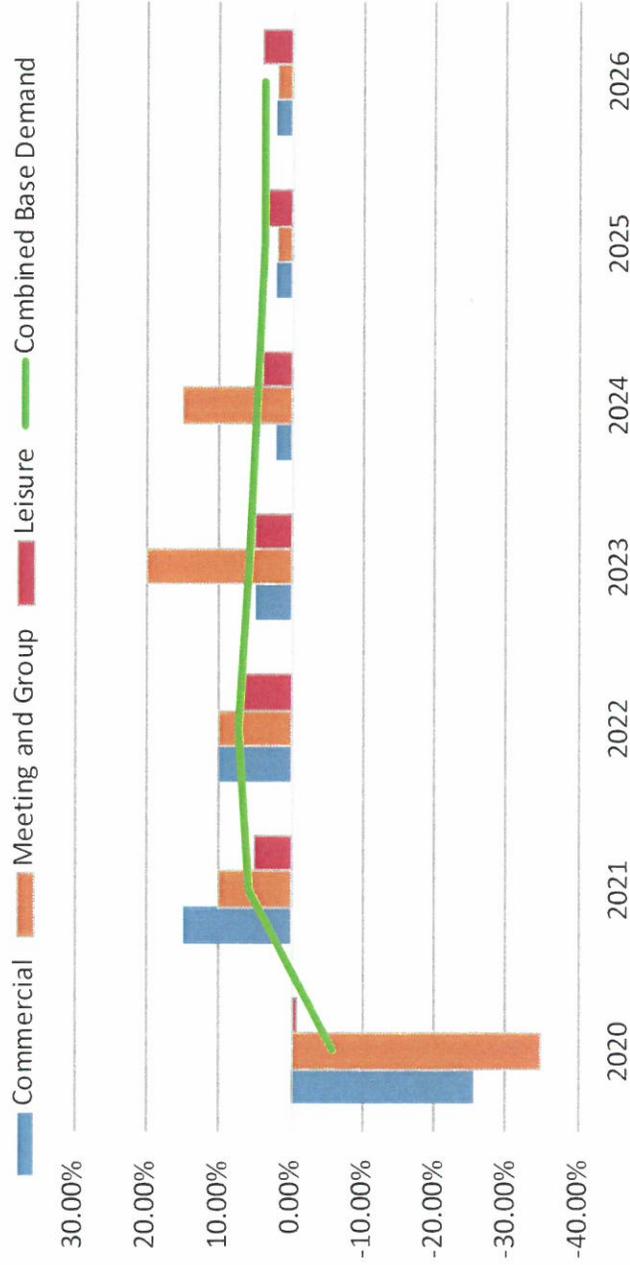
# New Lodging Supply

Year	Proposed Property	Competitive Weight	Proposed Rooms	Weighted Room Count	Cumulative Weighted Room Count
2022	Growth Under Ten-Unit Properties	80%	30	24	
2022	Albert Hotel	100%	110	110	
2023	Growth Under Ten-Unit Properties	80%	30	24	
2024	Proposed Conference Center Hotel	100%	150	150	
2024	Growth Under Ten-Unit Properties	80%	30	24	
2025	Growth Under Ten-Unit Properties	80%	30	24	
2026	Growth Under Ten-Unit Properties	80%	30	24	
<b>Totals</b>			<b>410</b>	<b>380</b>	

The supply of hotel rooms will increase in Fredericksburg. Two new hotels entering the market—the Albert Hotel and the Proposed Conference Center Hotel—would increase the supply of upper midscale and above rooms by 46%. Estimated growth in the under ten-unit properties will increase supply by 13%.

# Projections of Occupancy and Average Daily Room Rate

# Base Demand Change



Base demand represents sources of demand in the market that currently generate room night demand. Base demand declined in 2020 due to the impact of the COVID-19 pandemic. Base demand is projected to increase from 2021 to 2026 due to demand and supply growth in the under ten-unit sector. In addition, base demand would expand when the Albert Hotel opens in 2022 and the proposed Conference Center Hotel in 2024.

## Unaccommodated Demand

Market Segment	Total Room Nights	% of Total	Unaccommodated	
			Room Nights	Room Nights
Leisure	232,229	5.4%	12,654	
Meeting and Group	26,173	5.4%	1,406	
Commercial	19,630	0.0%	0	
<b>Total</b>	<b>278,031</b>	<b>5.1%</b>	<b>14,060</b>	

Unaccommodated demand occurs on peak days April, May, June, July, and November, when room night demand is greater than the supply of available room nights. This demand either flows outside the competitive set or cannot enter the Fredericksburg hotel market. The new hotels and additional under ten-unit properties entering the market will provide the room nights needed to meet this demand.

## Induced Demand

Calendar Year	Meeting and Group	Leisure	Total Induced Room Nights
2024	6,723	3,000	9,723
2025	2,123	0	11,846
2026	1,506	0	13,352
2027	1,029	0	14,380

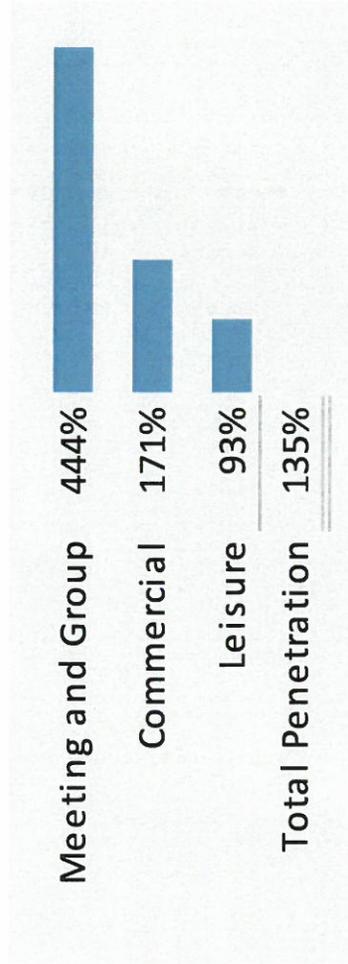
Induced demand would be generated by the opening of the proposed Conference Center Hotel as it attracts new business that would not otherwise come to Fredericksburg. HVS estimates that the proposed Conference Center Hotel would induce over 14,000 room nights by 2027.

# Competitive Lodging Forecast Demand & Occupancy

Source	2019	2020	2021	2022	2023	2024	2025	2026	2027
Base Accommodated	278,000	262,000	277,000	297,000	315,000	330,000	343,000	355,000	365,000
Previously Unaccommodated	0	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Induced	0	0	0	0	0	10,000	12,000	13,000	14,000
Total Available Demand	278,000	276,000	291,000	311,000	329,000	354,000	369,000	382,000	393,000
(Less Residual Demand)	0	(14,000)	(15,000)	(18,000)	(16,000)	(9,000)	(17,000)	(26,000)	(37,000)
Total Accommodated Demand	278,000	262,000	276,000	293,000	313,000	345,000	352,000	356,000	356,000
Accommodated Demand Change	4.0%	-5.9%	5.9%	6.6%	7.0%	10.4%	2.0%	1.7%	0.2%
Available Room Night Change	5.7%	-0.4%	0.0%	4.2%	6.4%	10.8%	1.3%	1.3%	0.0%
Occupancy	52%	49%	52%	53%	54%	53%	54%	54%	54%

The figure above shows the historical and projected room night demand for the competitive lodging market, including the proposed Conference Center Hotel, the under-development Albert Hotel, and supply growth in under ten-unit properties.

## Proposed Conference Center Hotel Market Segment Penetration



The proposed Conference Center Hotel would:

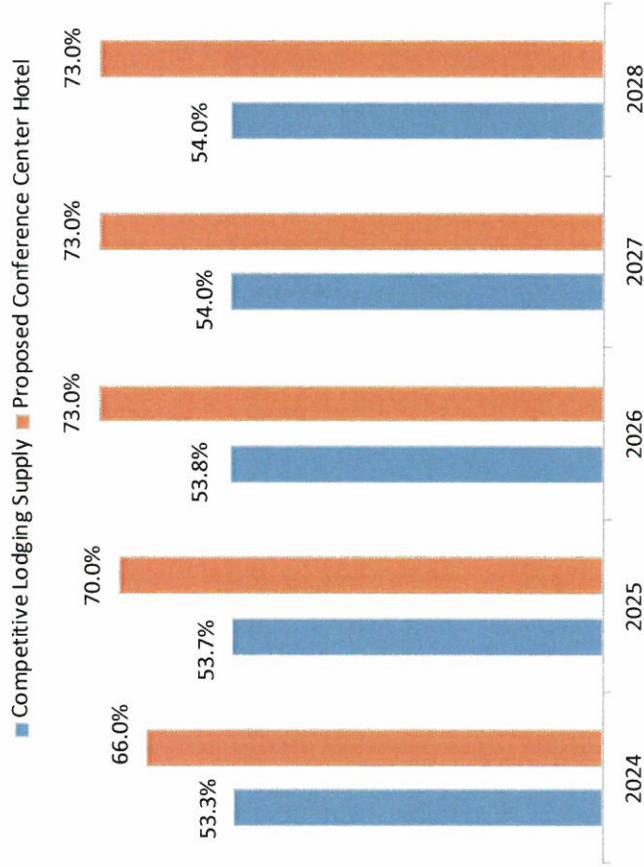
- Over penetrate the meeting and group market segment due to the 12,000 square foot conference center,
- Over penetrate the commercial segment due to new construction, high quality, and extensive facilities, and
- Under penetrate the leisure market segment due to the higher ADR and focus on the meeting and group & business market segments.

## Proposed Conference Center Hotel Market Segment Demand Projections

	2024	2025	2026	2027	2028
Available Room Nights	54,750	54,750	54,750	54,750	54,750
<b>Absorption by Segment</b>					
Commercial	2,000	3,000	3,000	3,000	3,000
Meeting and Group	13,000	14,000	14,000	14,000	14,000
Leisure	20,000	21,600	22,900	22,900	22,900
<b>Total Absorption</b>	<b>35,000</b>	<b>38,600</b>	<b>39,900</b>	<b>39,900</b>	<b>39,900</b>
Projected Occupancy	66%	70%	73%	73%	73%
Occupancy Market Penetration	124%	130%	135%	135%	135%
<b>Percent Segmentation</b>					
Commercial	6%	8%	8%	8%	8%
Meeting and Group	37%	36%	35%	35%	35%
Leisure	57%	56%	57%	57%	57%

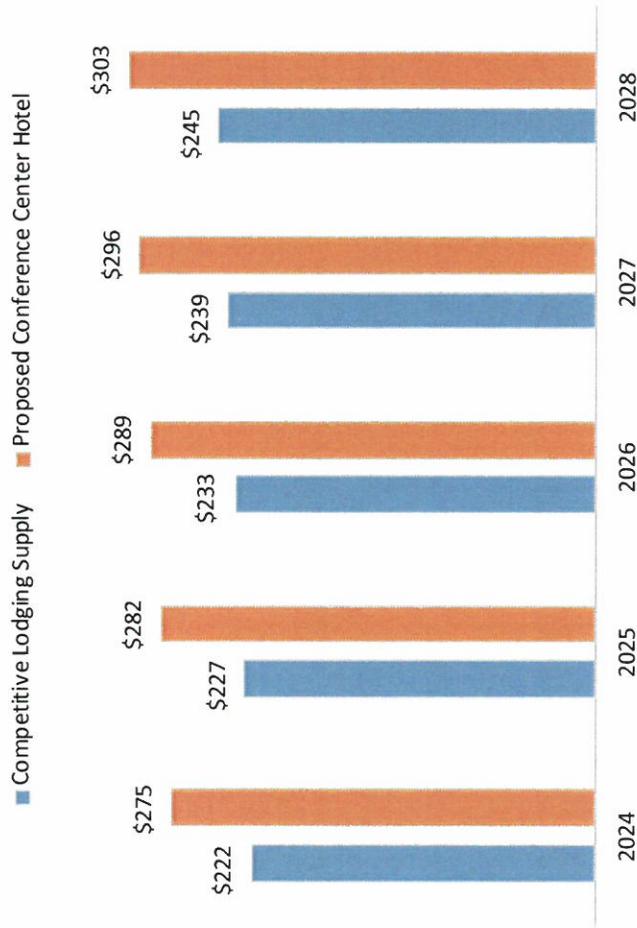
Even though the proposed Conference Center Hotel would under penetrate the leisure market, tourists would provide the primary source of room night demand. The property is also strong in the meeting and group market segment due to the conference center and lack of competitive properties with significant meeting space.

# Proposed Conference Center Hotel Projected Occupancy versus Market Occupancy



The proposed Conference Center Hotel generates a higher occupancy than the competitive lodging supply due to the conference center, upscale accommodations, and new construction. The under ten-unit secondary competitors have historically had lower occupancy than the Competitive Hotels.

# Proposed Conference Center Hotel Projected ADR versus Market ADR



The proposed Conference Center Hotel would generate a significantly higher ADR than the competitive lodging supply due to new construction, high quality, and large conference center.

# Projection of Income and Expense

## Comparable Properties

	Comp A	Comp B	Comp C	Comp D	Comp E	Subject Hotel
<b>Year</b>	2019/20	2019	2019	2019	2019	*
<b>Number of Rooms:</b>	200 to 260	120 to 150	150 to 200	200 to 260	220 to 280	150
<b>Meeting Space (sf):</b>	7,418	7,000	6,000	7,418	35,221	12,000
<b>Meeting Space per Room:</b>	32	51	34	32	139	80
<b>Occupied Rooms:</b>	50,861	37,887	51,649	53,715	78,251	39,968
<b>Average Rate:</b>	\$241	\$196	\$238	\$250	\$192	\$242
<b>RevPAR:</b>	\$146	\$150	\$191	\$161	\$163	\$176

For the purpose of estimating hotel income and expenses, HVS selected and analyzed the profit-loss statements of five comparable properties that are like the proposed Conference Center Hotel with respect to their quality, room counts, average daily rate, and amounts of function space.

## Comparable Properties Ratio to Sales

In this figure, the green shaded cells indicate where HVS has positioned the proposed Conference Center Hotel, which is typically in the mid-range of comparable hotel financial statements.

The franchise fee is higher than the comparable properties due to increases in the cost of a franchise.

RANK - PERCENTAGES	1	2	3	4	5	6
<b>REVENUE</b>						
Rooms	87.7	87.6	83.9	75.8	73.9	67.4
Food & Beverage	22.3	22.0	20.2	11.8	11.7	9.7
Other Operated Departments	5.6	3.6	2.2	1.3	0.5	0.5
Miscellaneous Income	8.2	2.3	0.9	0.7	0.1	0.0
<b>DEPARTMENTAL EXPENSES*</b>						
Rooms	23.1	21.0	21.0	19.2	18.0	17.7
Food & Beverage	90.7	88.2	74.9	72.0	71.0	67.9
Other Operated Departments	104.1	70.0	61.3	58.5	48.6	26.7
Total Department Expenses	32.8	32.6	30.4	30.1	26.7	26.2
<b>OPERATING EXPENSES **</b>						
Administrative & General	9.9	8.0	7.9	7.5	7.4	6.6
Info. and Telecom. Systems	2.0	1.8	1.6	1.0	0.9	0.8
Marketing	9.7	9.2	8.8	6.5	6.1	5.0
Franchise Fee	7.2	7.0	6.7	6.3	4.8	3.2
Property Operations & Maintenance	8.1	4.5	4.3	3.5	3.0	3.0
Utilities	3.3	3.1	3.1	3.0	2.7	2.1
Total Operating Expenses	34.5	32.9	31.1	28.7	27.9	24.3
<b>GROSS OPERATING PROFIT</b>						
	45.6	42.7	40.4	39.3	38.7	35.1

\* Ratio to Department Revenue

\*\* Ratio to Total Revenue

indicates position of Proposed Conference Center Hotel

indicates position of comparable hotels

# Comparable Properties Amounts per Occupied Room Night

The proposed Conference Center Hotel generates higher food & beverage revenue and expense than the comparable hotels due to the larger amount of meeting space per room. Similarly, utility expenses are slightly higher per occupied room night due to the amount of function space.

	RANK - PER OCCUPIED ROOM	AMOUNTS PER OCCUPIED ROOM NIGHT					
		1	2	3	4	5	6
<b>REVENUE</b>							
Rooms	250	242	241	238	196	192	
Food & Beverage	70	65	63	33	33	23	
Other Operated Departments	13	11	6	4	1	1	
Miscellaneous Income	23	7	3	2	0	0	
<b>Total</b>	<b>322</b>	<b>319</b>	<b>285</b>	<b>285</b>	<b>275</b>	<b>234</b>	
<b>DEPARTMENTAL EXPENSES</b>							
Rooms	51	46	44	44	43	41	
Food & Beverage	50	48	44	29	29	16	
Other Operated Departments	14	7	3	2	1	1	
<b>Total Department Expenses</b>	<b>104</b>	<b>97</b>	<b>94</b>	<b>75</b>	<b>73</b>	<b>71</b>	
<b>OPERATING EXPENSES</b>							
Administrative & General	26	24	23	22	21	19	
Info. and Telecom. Systems	6	4	4	3	2	2	
Marketing	27	26	25	21	20	12	
Property Operations & Maintenance	19	12	12	11	10	8	
Utilities	10	9	9	9	7	6	
<b>Total Operating Expenses</b>	<b>91</b>	<b>90</b>	<b>89</b>	<b>81</b>	<b>80</b>	<b>78</b>	
<b>GROSS OPERATING PROFIT</b>							
	146	123	122	112	111	82	

indicates position of Proposed Conference Center Hotel  
indicates position of comparable hotels

# Proposed Conference Center Hotel Pro Forma in a Stabilized Year of Operation - 2026

## STATISTICS

Number of Rooms	150
Occupied Room Nights	39,968
Occupancy	73%
Average Rate	\$288.88
RevPAR	\$210.88

The proposed Conference Center Hotel would have an occupancy rate of 73% and ADR near \$290 in 2026. Both the occupancy and ADR are favorable for the development of the property.

	\$000	% Gross
<b>Operating Revenue</b>		
Rooms	\$11,546	75.8%
Food	2,866	18.8%
Beverage	478	3.1%
Other Operated Departments	191	1.3%
Miscellaneous Income	143	0.9%
<b>Total Operating Revenues</b>	<b>\$15,225</b>	<b>100%</b>
<b>Departmental Expenses *</b>		
Rooms	\$2,425	21.0%
Food & Beverage	2,408	72.0%
Other Operated Departments	134	70.0%
<b>Sub-total</b>	<b>\$4,966</b>	<b>32.6%</b>
<b>Departmental Income</b>	<b>\$10,258</b>	<b>67.4%</b>
<b>Undistributed Operating Expenses</b>		
Administrative & General	\$1,142	7.5%
Marketing	990	6.5%
Franchise Fee	1,097	7.2%
Prop. Operations & Maint.	533	3.5%
Utilities	457	3.0%
Info & Telecom Systems	152	1.0%
<b>Sub-total</b>	<b>\$4,370</b>	<b>28.7%</b>
<b>Gross House Profit</b>	<b>\$5,888</b>	<b>38.7%</b>
<b>Management Fee</b>	<b>\$457</b>	<b>3.0%</b>
<b>Income Before Non-Opr. Inc. &amp; Exp.</b>	<b>\$5,432</b>	<b>35.7%</b>
<b>Non-Operating Income &amp; Expenses</b>		
Property Taxes	\$959	6.3%
Insurance	126	0.8%
FF&E Reserve	609	4.0%
<b>Sub-total</b>	<b>\$1,694</b>	<b>11.1%</b>
<b>EBITDA Less Reserve</b>	<b>\$3,738</b>	<b>24.6%</b>

\*Departmental expense ratios are calculated as a percentage of departmental revenue.

# Ten-year Hotel Pro Forma

STATISTICS		2024		2025		2026		2027		2028		2029		2030		2031		2032		2033	
		Number of Rooms	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150
Occupied Room Nights	36,135	38,325	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968	39,968
Occupancy	66%	70%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%
Average Rate	\$266.71	\$279.01	\$288.88	\$296.10	\$303.50	\$311.09	\$318.86	\$326.84	\$335.01	\$343.38	\$351.77	\$360.25	\$368.73	\$377.21	\$385.69	\$394.17	\$402.65	\$411.13	\$419.61	\$428.09	\$436.57
RevPAR	\$176.03	\$195.31	\$210.88	\$216.15	\$221.55	\$227.09	\$232.77	\$238.59	\$244.56	\$250.67	\$256.88	\$263.19	\$269.50	\$275.81	\$282.12	\$288.43	\$294.74	\$301.05	\$307.36	\$313.67	\$320.00
<b>Operating Revenue</b>																					
Rooms	\$9,637	74.7	\$10,693	75.4	\$11,546	75.8	\$12,130	75.8	\$11,834	75.8	\$12,433	75.8	\$12,744	75.8	\$13,063	75.8	\$13,389	75.8	\$13,724	75.8	\$14,059
Food	2,532	19.6	2,710	19.1	2,866	18.8	3,012	18.8	2,938	18.8	3,087	18.8	3,164	18.8	3,243	18.8	3,324	18.8	3,407	18.8	3,490
Beverage	430	3.3	455	3.2	478	3.1	502	3.1	490	3.1	514	3.1	527	3.1	541	3.1	554	3.1	568	3.1	581
Other Operated Departments	177	1.4	184	1.3	191	1.3	201	1.3	206	1.3	211	1.3	211	1.3	216	1.3	222	1.3	227	1.3	232
Miscellaneous Income	132	1.0	138	1.0	143	0.9	147	0.9	151	0.9	154	0.9	158	0.9	162	0.9	166	0.9	170	0.9	174
<b>Total Operating Revenues</b>	\$12,908	100.0	\$14,181	100.0	\$15,225	100.0	\$15,995	100.0	\$15,605	100.0	\$16,394	100.0	\$16,805	100.0	\$17,225	100.0	\$17,655	100.0	\$18,097	100.0	\$18,539
<b>Departmental Expenses*</b>																					
Rooms	\$2,219	23.0	\$2,327	21.8	\$2,425	21.0	\$2,547	21.0	\$2,485	21.0	\$2,611	21.0	\$2,676	21.0	\$2,743	21.0	\$2,812	21.0	\$2,882	21.0	\$2,952
Food & Beverage	2,220	75.0	2,318	73.2	2,408	72.0	2,530	72.0	2,468	72.0	2,593	72.0	2,658	72.0	2,724	72.0	2,792	72.0	2,862	72.0	2,932
Other Operated Departments	126	71.5	130	70.6	134	70.0	141	70.0	137	70.0	144	70.0	148	70.0	151	70.0	155	70.0	159	70.0	163
<b>Sub-total</b>	\$4,566	35.4	\$4,774	33.7	\$4,966	32.6	\$5,218	32.6	\$5,090	32.6	\$5,348	32.6	\$5,482	32.6	\$5,619	32.6	\$5,759	32.6	\$5,903	32.6	\$6,047
<b>Departmental Income</b>	\$8,343	64.6	\$9,407	66.3	\$10,258	67.4	\$10,777	67.4	\$10,514	67.4	\$11,046	67.4	\$11,323	67.4	\$11,606	67.4	\$11,896	67.4	\$12,194	67.4	\$12,497
<b>Undistributed Operating Expenses</b>																					
Administrative & General	\$1,057	8.2	\$1,101	7.8	\$1,142	7.5	\$1,200	7.5	\$1,170	7.5	\$1,230	7.5	\$1,260	7.5	\$1,292	7.5	\$1,324	7.5	\$1,357	7.5	\$1,390
Marketing	916	7.1	955	6.7	990	6.5	1,014	6.5	1,014	6.5	1,066	6.5	1,092	6.5	1,120	6.5	1,148	6.5	1,176	6.5	1,204
Franchise Fee	916	7.1	1,016	7.2	1,097	7.2	1,152	7.2	1,124	7.2	1,181	7.2	1,211	7.2	1,241	7.2	1,272	7.2	1,304	7.2	1,335
Prop. Operations & Maint.	493	3.8	514	3.6	533	3.5	560	3.5	546	3.5	574	3.5	588	3.5	603	3.5	618	3.5	633	3.5	648
Utilities	423	3.3	441	3.1	457	3.0	480	3.0	468	3.0	492	3.0	504	3.0	517	3.0	530	3.0	543	3.0	556
Info & Telecom Systems	141	1.1	147	1.0	152	1.0	160	1.0	156	1.0	164	1.0	168	1.0	172	1.0	177	1.0	181	1.0	185
<b>Sub-total</b>	\$3,946	30.6	\$4,173	29.4	\$4,370	28.7	\$4,591	28.7	\$4,479	28.7	\$4,706	28.7	\$4,824	28.7	\$4,944	28.7	\$5,068	28.7	\$5,195	28.7	\$5,322
<b>Gross House Profit</b>	\$4,397	34.0	\$5,234	36.9	\$5,888	38.7	\$6,186	38.7	\$6,035	38.7	\$6,340	38.7	\$6,499	38.7	\$6,662	38.7	\$6,828	38.7	\$6,999	38.7	\$7,171
<b>Management Fee</b>	\$387	3.0	\$425	3.0	\$457	3.0	\$480	3.0	\$468	3.0	\$492	3.0	\$504	3.0	\$517	3.0	\$530	3.0	\$543	3.0	\$556
<b>Income Before Non-Oper. Inc. &amp; Exp.</b>	\$4,010	31.0	\$4,808	33.9	\$5,432	35.7	\$5,706	35.7	\$5,567	35.7	\$5,849	35.7	\$5,995	35.7	\$6,145	35.7	\$6,298	35.7	\$6,456	35.7	\$6,614
<b>Non-Operating Income &amp; Expenses</b>																					
Property Taxes	\$913	7.1	\$936	6.6	\$959	6.3	\$1,008	6.3	\$983	6.3	\$1,033	6.3	\$1,059	6.3	\$1,085	6.3	\$1,112	6.3	\$1,140	6.3	\$1,167
Insurance	119	0.9	122	0.9	126	0.8	132	0.8	129	0.8	135	0.8	142	0.8	146	0.8	149	0.8	152	0.8	155
FF&E Reserve	258	2.0	425	3.0	609	4.0	640	4.0	624	4.0	656	4.0	672	4.0	689	4.0	706	4.0	724	4.0	741
<b>Sub-total</b>	\$1,291	10.0	\$1,484	10.5	\$1,694	11.1	\$1,779	11.1	\$1,736	11.1	\$1,824	11.1	\$1,869	11.1	\$1,916	11.1	\$1,964	11.1	\$2,013	11.1	\$2,060
<b>EBITDA Less Reserve</b>	\$2,719	21.1%	\$3,325	23.4%	\$3,738	24.6%	\$3,927	24.6%	\$3,831	24.6%	\$4,025	24.5%	\$4,126	24.6%	\$4,229	24.6%	\$4,334	24.5%	\$4,443	24.6%	\$4,548

\*Departmental expense ratios are calculated as a percentage of departmental revenue.

# Feasibility Analysis

## Feasibility Methodology

The feasibility of the proposed Conference Center Hotel is based on:

- The funding capacity based on the projected future earnings of the property
  - Debt based on 65% of EBITDA less reserve
  - Equity of 35% of EBITDA less reserve
  - Assumed sales after ten years of operations
- The value of certain state incentives generated from the operation of the property
  - State hotel occupancy tax ("HOT") of 6.0%
  - State sales tax of 6.25%
- Project costs cannot be determined at this time due to uncertainty about the cost of site acquisition and the current volatility of construction costs. The project would be feasible if the total development cost is less than the funding capacity of the project, plus the value of the state incentives.

## State Incentives

### 2019 HB 4347 State and Local Incentives Convention Center Hotels

The feasibility of the proposed Conference Center Hotel is based on:

- The funding capacity based on the projected future earnings of the property
  - Debt based on 65% of EBITDA less reserve
  - Equity of 35% of EBITDA less reserve
  - Assumed sales after ten years of operations
- The value of certain state incentives generated from the operation of the property
  - State hotel occupancy tax ("HOT") of 6.0%
  - State sales tax of 6.25%
- Project costs cannot be determined at this time due to uncertainty about the cost of site acquisition and the current volatility of construction costs. The project would be feasible if the total development cost is less than the funding capacity of the project, plus the value of the state incentives.

## State Tax Incentive Estimated Revenues (000's)

	Gross Room Revenues	Taxable Revenues 95% *	State HOT 6%	Food & Other Operated Department Sales	Taxable Sales 90%	State Sales Tax 6.25%
2024	\$9,637	\$9,155	\$549	\$2,709	\$2,438	\$152
2025	10,693	10,158	610	2,894	2,605	163
2026	11,546	10,969	658	3,058	2,752	172
2027	11,834	11,242	675	3,134	2,821	176
2028	12,130	11,524	691	3,212	2,891	181
2029	12,433	11,811	709	3,293	2,963	185
2030	12,744	12,107	726	3,375	3,037	190
2031	13,063	12,410	745	3,459	3,113	195
2032	13,389	12,720	763	3,546	3,191	199
2033	13,724	13,038	782	3,634	3,271	204
<b>Total</b>	<b>\$121,193</b>	<b>\$115,133</b>	<b>\$6,908</b>	<b>\$32,314</b>	<b>\$29,083</b>	<b>\$1,818</b>

\* Base on the historical percentage of taxable versus gross room revenue for lodging in Gillespie County in 2019 & 2020

A portion of gross room revenues, food sales, and other department revenues are not subject to taxation due to exemptions. The state's HOT and sales taxes produced by the property for ten years are included in calculating benefits available from the state. The local mixed beverage tax is excluded.

## Valuation Proposed Conference Center Hotel

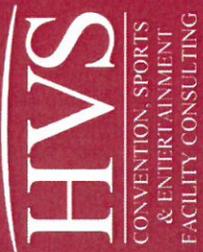
### Key Assumptions for Loan

- Full-service brand
- Third party management
- Current market rates
- Conventional loan
- 35% equity

The cost to develop the proposed Conference Center hotel will depend on the cost of the selected site, the property's design, and prevailing construction costs.

The development cost of the proposed Conference Center Hotel would need to be at or below **\$315,000 per room**, or City would need to offer additional incentives to make the project feasible.

Financing Parameters	
Rooms	150
Loan-To-Value Ratio	65%
Blended Yield Senior and Mezz. Equity Yield	4.75% 18.00%
Transaction Costs for Sale	2.00%
Property Sale End of Year	10
Terminal Capitalization Rate	8.00%
Total Property Yield	10.78%
Estimated Value at Opening January 1, 2024	
Mortgage Component	\$27,440,344
Equity Component	14,775,570
Value of State Tax Incentives at Total Property Yield of 10.78%	5,043,693
Total	\$47,259,607
Value per Room	\$315,000



# Assumptions, Limiting Conditions and Certifications

## Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature.
3. We have not considered the presence of potentially hazardous materials on the proposed site, such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints.
4. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
5. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
6. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
7. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
8. We take no responsibility for any events or circumstances that take place after the date of our report.
9. The quality of a convention facility's on-site management has a direct effect on a facility's economic performance. The demand and financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
10. The impact analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the facility's management.
11. We do not warrant that our estimates will be attained, but they have been developed based on information obtained during our market research and are intended to reflect reasonable expectations.
12. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to small rounding errors.
13. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
14. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
15. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of this organization, as employees, rather than as individuals.
16. This report is set forth as a market study of the subject facility; this is not an appraisal report.

## Certifications

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. HVS is not a municipal advisor and is not subject to the fiduciary duty set forth in section 15B(c)(1) of the Act (15 U.S.C. 78o-4(c)(1)) with respect to the municipal financial product or issuance of municipal securities;
5. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
6. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
7. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this analysis.



Thomas A. Hazinski  
Managing Director



Brian Harris  
Senior Director

## Contact Information

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Managing Director  
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Facilities Consulting  
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## CITY COUNCIL MEMO

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**DATE:** January 24, 2022  
**TO:** Mayor and City Council  
**FROM:** Kent Myers, City Manager  
**SUBJECT:** Debt Financing-2022 Projects

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### **Summary:**

At Monday's City Council meeting Dan Wegmiller, City Financial Advisor, will be present to have a preliminary discussion on the possibility of proceeding with debt financing in 2022 for major street improvements and construction of a new Public Safety building.

### **Recommendation:**

Following Dan's presentation, Council direction is needed on whether you support moving forward with plans for financing some or all of these projects in 2022. Although no Council decision is requested at Monday's meeting, your input and direction would be helpful for planning this financing for 2022. I

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### **Background / Analysis:**

Over the past several years, the City Council has discussed the need for four major street improvements and the construction of a new Public Safety building on Friendship Lane. Due to the costs for these projects, debt financing will be required to be issued by the City. If General Obligation bonds are the preferred option for debt financing, then the Council may want to consider adding one or more of these projects on the November 1 ballot for local voters to consider. A final decision on whether to include these projects on this ballot would need to be made by September. Therefore, there is plenty of time for continued discussions about these projects with both current Council members and any newly elected Council members following the May election.

The City of Fredericksburg

To fully prepare for any November election, including refinement of both financing and construction costs, preliminary thoughts and direction from Council members would be helpful. In addition, if there is interest in moving forward with a possible November election, we could notify other local taxing jurisdictions to ensure that these plans do not pose a conflict with any of their financing plans.

In terms of the street improvements, we have discussed the need for these four projects several times over the past 2-3 years. This need was detailed in the previous traffic study completed by Kimley Horn Engineering. Increases in traffic congestion will continue to occur without these roadways being constructed over the next several years. If the City Council does not want to proceed with all four of these projects in 2022, then you may elect to try to finance one or two of these projects so that we can at least start addressing some of our major traffic issues. The costs for these improvements have recently been updated by our traffic consultant, Kimley Horn. Please keep in mind that these costs will continue to increase if these projects are postponed for several years.

In terms of the Public Safety building, these costs are very preliminary and will be updated once the architectural firm is hired and develops more accurate cost estimates. The contract for architectural services is on the February 7<sup>th</sup> Council agenda. If approved, we hope to have preliminary design plans and updated costs estimates in the next 90 days.

Finally, please review Dan's report that is attached prior to the meeting. You will note that, due to increasing property values and the payoff of debt in two years for the Animal Shelter, several of the projects can be completed with a minimal tax rate increase. In addition, Dan's numbers are conservative and will be updated when the new property values are established later this year.

**Attachments:**

Five Scenarios for Debt Financing Four Major Street Improvements and Construction of New Public Safety Building

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**Department Approval**

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**City Manager Approval**

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**City Attorney Approval**

# City of Fredericksburg, Texas



**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES

FINANCIAL ADVISORY CONTACT

Dan Wegmiller  
Managing Director  
248 Addie Roy Road, Suite B103  
Austin, Texas 78746  
Cell: 512.820.6086  
dan@spfmuni.com

**City of Fredericksburg, Texas**  
**Projected \$20,023,135 May 2023 Issuance With a \$0.0187 Increase to the I&S Tax Rate**  
**Frederick Road Project**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
FYE 9/30	Freeze-Adj. Assessed Valuation	Est. Growth	Existing D/S	Less: Self-Supporting D/S	Projected 2023 Issuance \$20,023,135 Series 2023 5/17 2.57%	Projected Total D/S	Less: Available D/S Funds	Less: Frozen Tax Revenues	Projected Total Net D/S	Projected I&S Tax Rate	Change
2022	\$ 2,092,349,448		\$ 814,251	\$ -	\$ -	\$ 814,251	\$ -	\$ (125,968)	\$ 688,284	\$ 0.0278	\$ -
2023	2,196,966,920	5.00%	814,781	-	-	814,781	-	(125,968)	688,813	0.0278	-
2024	2,306,815,266	5.00%	462,474	-	781,387	1,243,861	-	(192,405)	1,051,456	0.0465	0.0187
2025	2,422,156,030	5.00%	462,630	-	832,650	1,295,280	-	(192,266)	1,103,013	0.0465	
2026	2,543,263,831	5.00%	462,492	-	885,525	1,348,017	-	(191,989)	1,156,028	0.0464	
2027	2,670,427,023	5.00%	462,060	-	940,025	1,402,085	-	(191,577)	1,210,508	0.0463	
2028	2,790,596,239	4.50%	461,334	-	1,000,775	1,462,109	-	(192,165)	1,269,944	0.0464	
2029	2,916,173,070	4.50%	460,315	-	1,060,050	1,520,365	-	(192,278)	1,328,086	0.0465	
2030	3,018,239,127	3.50%	459,001	-	1,108,450	1,567,451	-	(192,338)	1,375,113	0.0465	
2031	3,123,877,496	3.50%	457,394	-	1,158,950	1,616,344	-	(192,411)	1,423,933	0.0465	
2032	3,217,593,821	3.00%	455,346	-	1,191,750	1,657,096	-	(192,228)	1,464,868	0.0465	
2033	3,314,121,636	3.00%	250,950	-	1,452,450	1,703,400	-	(192,442)	1,510,958	0.0465	
2034	3,413,545,285	3.00%	248,875	-	1,486,225	1,735,100	-	(191,236)	1,543,864	0.0462	
2035	3,515,951,644	3.00%	251,000	-	1,522,925	1,773,925	-	(190,590)	1,583,335	0.0460	
2036	3,621,430,193	3.00%	252,775	-	1,552,600	1,805,375	-	(189,239)	1,616,136	0.0455	
2037	3,730,073,099	3.00%	249,288	-	1,595,100	1,844,388	-	(188,460)	1,655,927	0.0453	
2038	3,841,975,292	3.00%	-	-	1,640,125	1,640,125	-	(167,571)	1,472,554	0.0391	
2039	3,957,234,550	3.00%	-	-	1,756,475	1,756,475	-	(173,463)	1,583,012	0.0408	
2040	4,075,951,587	3.00%	-	-	1,754,750	1,754,750	-	(169,563)	1,585,187	0.0397	
2041	4,198,230,135	3.00%	-	-	1,756,600	1,756,600	-	(166,005)	1,590,595	0.0387	
2042	4,324,177,039	3.00%	-	-	1,752,025	1,752,025	-	(162,005)	1,590,020	0.0375	
2043	4,453,902,350	3.00%	-	-	1,755,950	1,755,950	-	(294,868)	1,461,082	0.0335	
			\$ 7,034,965	\$ -	\$ 26,984,787	\$ 34,019,752	\$ -	\$ (4,067,034)	\$ 29,952,718		\$ 0.0187

Assumptions:

- (1) FY 2022 Freeze-Adjusted Assessed Valuation ("AV") provided by the Gillespie County appraisal district as of July 29, 2021. AV includes 60% of the under review amount of \$65,289,965. Projected AV growth provided by the City and is shown for purposes of illustration only.
- (2) All financing assumptions are as of January 19, 2022 for purposes of illustration only.
- (3) Preliminary Series 2023 GO assumes a November 2022 election, May 2023 close and current market rates + 50bps (0.50%) of cushion. Preliminary, subject to change.
- (4) Total FY 2022 frozen tax revenues assumed to remain constant at \$905,619 and the portion attributable to the I&S tax rate is calculated on a pro rata basis assuming a constant M&O tax rate of \$0.1680 at 98% collections.
- (5) Est. tax collection rate: 98.00%

**City of Fredericksburg, Texas**  
**Projected \$25,228,271 May 2023 Issuance With a \$0.0265 Increase to the I&S Tax Rate**  
**Friendship Lane Project**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
FYE	Freeze-Adj. Assessed Valuation	Est. Growth	Existing D/S	Less: Self-Supporting D/S	Projected 2023 Issuance \$25,228,271 Series 2023 5/17 2.59%	Projected Total D/S	Less: Available D/S Funds	Less: Frozen Tax Revenues	Projected Total Net D/S	Projected I&S Tax Rate	Change
2022	\$ 2,092,349,448		\$ 814,251	\$ -	\$ -	\$ 814,251	\$ -	\$ (125,968)	\$ 688,284	\$ 0.0278	\$ -
2023	2,196,966,920	5.00%	814,781	-	-	814,781	-	(125,968)	688,813	0.0278	-
2024	2,306,815,266	5.00%	462,474	-	981,493	1,443,967	-	(216,718)	1,227,249	0.0543	0.0265
2025	2,422,156,030	5.00%	462,630	-	1,042,200	1,504,830	-	(216,662)	1,288,168	0.0543	
2026	2,543,263,831	5.00%	462,492	-	1,107,200	1,569,692	-	(216,711)	1,352,981	0.0543	
2027	2,670,427,023	5.00%	462,060	-	1,173,075	1,635,135	-	(216,483)	1,418,652	0.0542	
2028	2,790,596,239	4.50%	461,334	-	1,239,575	1,700,909	-	(216,675)	1,484,234	0.0543	
2029	2,916,173,070	4.50%	460,315	-	1,304,600	1,764,915	-	(216,409)	1,548,506	0.0542	
2030	3,018,239,127	3.50%	459,001	-	1,363,700	1,822,701	-	(216,741)	1,605,960	0.0543	
2031	3,123,877,496	3.50%	457,394	-	1,419,400	1,876,794	-	(216,551)	1,660,243	0.0542	
2032	3,217,593,821	3.00%	465,346	-	1,461,900	1,927,246	-	(216,608)	1,710,638	0.0543	
2033	3,314,121,636	3.00%	250,950	-	1,726,800	1,977,750	-	(216,538)	1,761,212	0.0542	
2034	3,413,545,285	3.00%	248,875	-	1,784,875	2,033,750	-	(216,800)	1,816,950	0.0543	
2035	3,515,951,644	3.00%	251,000	-	1,835,875	2,086,875	-	(216,689)	1,870,186	0.0543	
2036	3,621,430,193	3.00%	252,775	-	1,884,175	2,136,950	-	(216,216)	1,920,734	0.0541	
2037	3,730,073,099	3.00%	249,288	-	1,929,775	2,179,063	-	(215,030)	1,964,033	0.0537	
2038	3,841,975,292	3.00%	-	-	2,174,600	2,174,600	-	(210,274)	1,964,326	0.0522	
2039	3,957,234,550	3.00%	-	-	2,213,575	2,213,575	-	(208,805)	2,004,770	0.0517	
2040	4,075,951,587	3.00%	-	-	2,387,600	2,387,600	-	(216,889)	2,170,711	0.0543	
2041	4,198,230,135	3.00%	-	-	2,387,125	2,387,125	-	(212,381)	2,174,744	0.0529	
2042	4,324,177,039	3.00%	-	-	2,384,700	2,384,700	-	(207,800)	2,176,900	0.0514	
2043	4,453,902,350	3.00%	-	-	2,385,250	2,385,250	-	(380,966)	2,004,284	0.0459	
			\$ 7,034,965	\$ -	\$ 34,187,493	\$ 41,222,458	\$ -	\$ (4,719,881)	\$ 36,502,577	\$ 0.0265	

Assumptions:

- (1) FY 2022 Freeze-Adjusted Assessed Valuation ("AV") provided by the Gillespie County appraisal district as of July 29, 2021. AV includes 60% of the under review amount of \$65,289,965. Projected AV growth provided by the City and is shown for purposes of illustration only.
- (2) All financing assumptions are as of January 19, 2022 for purposes of illustration only.
- (3) Preliminary Series 2023 GO assumes a November 2022 election, May 2023 close and current market rates + 50bps (0.50%) of cushion. Preliminary, subject to change.
- (4) Total FY 2022 frozen tax revenues assumed to remain constant at \$905,619 and the portion attributable to the I&S tax rate is calculated on a pro rata basis assuming a constant M&O tax rate of \$0.1680 at 98% collections.
- (5) Est. tax collection rate: 98.00%

**City of Fredericksburg, Texas**  
**Projected \$9,869,522 May 2023 Issuance With a \$0.0031 Increase to the I&S Tax Rate**  
**Mulberry Extension Project**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
FYE 9/30	Freeze-Adj. Assessed Valuation	Est. Growth	Existing D/S	Less: Self-Supporting D/S	Projected 2023 Issuance Series 2023 5/17 2.52%	Projected Total D/S	Less: Available D/S Funds	Less: Frozen Tax Revenues	Projected Total Net D/S	Projected I&S Tax Rate	Change
2022	\$ 2,092,349,448		\$ 814,251	\$ -	\$ -	\$ 814,251	\$ -	\$ (125,968)	\$ 688,284	\$ 0.0278	\$ -
2023	2,196,966,920	5.00%	814,781	-	-	814,781	-	(125,968)	688,813	0.0278	-
2024	2,306,815,266	5.00%	462,474	-	373,769	836,243	-	(137,834)	698,408	0.0309	0.0031
2025	2,422,156,030	5.00%	462,630	-	319,850	782,480	-	(125,512)	656,968	0.0277	
2026	2,543,263,831	5.00%	462,492	-	352,975	815,467	-	(125,530)	689,936	0.0277	
2027	2,670,427,023	5.00%	462,060	-	389,225	851,285	-	(125,701)	725,584	0.0277	
2028	2,790,596,239	4.50%	461,334	-	423,475	884,809	-	(125,810)	758,999	0.0278	
2029	2,916,173,070	4.50%	460,315	-	456,600	916,915	-	(125,565)	791,350	0.0277	
2030	3,018,239,127	3.50%	459,001	-	488,800	947,801	-	(125,935)	821,866	0.0278	
2031	3,123,877,496	3.50%	457,394	-	519,400	976,794	-	(125,961)	850,833	0.0278	
2032	3,217,593,821	3.00%	465,346	-	533,700	999,046	-	(125,601)	873,444	0.0277	
2033	3,314,121,636	3.00%	250,950	-	777,300	1,028,250	-	(125,923)	902,327	0.0278	
2034	3,413,545,285	3.00%	248,875	-	802,725	1,051,600	-	(125,535)	926,065	0.0277	
2035	3,515,951,644	3.00%	251,000	-	829,500	1,080,500	-	(125,648)	954,852	0.0277	
2036	3,621,430,193	3.00%	252,775	-	854,925	1,107,700	-	(125,505)	982,195	0.0277	
2037	3,730,073,099	3.00%	249,288	-	888,850	1,138,138	-	(125,599)	1,012,538	0.0277	
2038	3,841,975,292	3.00%	-	-	896,500	896,500	-	(99,317)	797,183	0.0212	
2039	3,957,234,550	3.00%	-	-	898,325	898,325	-	(97,169)	801,156	0.0207	
2040	4,075,951,587	3.00%	-	-	899,400	899,400	-	(94,984)	804,416	0.0201	
2041	4,198,230,135	3.00%	-	-	894,800	894,800	-	(92,308)	802,492	0.0195	
2042	4,324,177,039	3.00%	-	-	894,525	894,525	-	(90,088)	804,437	0.0190	
2043	4,453,902,350	3.00%	-	-	903,350	903,350	-	(162,792)	740,558	0.0170	
			\$ 7,034,965	\$ -	\$ 13,397,994	\$ 20,432,959	\$ -	\$ (2,660,254)	\$ 17,772,705		\$ 0.0031

Assumptions:

- (1) FY 2022 Freeze-Adjusted Assessed Valuation ("AV") provided by the Gillespie County appraisal district as of July 29, 2021. AV includes 60% of the under review amount of \$65,289,965. Projected AV growth provided by the City and is shown for purposes of illustration only.
- (2) All financing assumptions are as of January 19, 2022 for purposes of illustration only.
- (3) Preliminary Series 2023 GO assumes a November 2022 election, May 2023 close and current market rates + 50bps (0.50%) of cushion. Preliminary, subject to change.
- (4) Total FY 2022 frozen tax revenues assumed to remain constant at \$905,619 and the portion attributable to the I&S tax rate is calculated on a pro rata basis assuming a constant M&O tax rate of \$0.1680 at 98% collections.
- (5) Est. tax collection rate: 98.00%

**City of Fredericksburg, Texas**  
**Projected \$7,016,448 May 2023 Issuance With No Increase to the I&S Tax Rate**  
**Post Oak Road Project**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
FYE 9/30	Freeze-Adj. Assessed Valuation	Est. Growth	Existing D/S	Less: Self-Supporting D/S	Projected 2023 Issuance Series 2023 5/17 2.45%	Projected Total D/S	Less: Available D/S Funds	Less: Frozen Tax Revenues	Projected Total Net D/S	Projected I&S Tax Rate	Change
2022	\$ 2,092,349,448		\$ 814,251	\$ -	\$ -	\$ 814,251	\$ -	\$ (125,968)	\$ 688,284	\$ 0.0278	\$ -
2023	2,196,966,920	5.00%	814,781	-	-	814,781	-	(125,968)	688,813	0.0278	-
2024	2,306,815,266	5.00%	462,474	-	291,306	753,780	-	(125,891)	627,888	0.0278	-
2025	2,422,156,030	5.00%	462,630	-	318,375	781,005	-	(125,304)	655,701	0.0276	-
2026	2,543,263,831	5.00%	462,492	-	352,625	815,117	-	(125,483)	689,634	0.0277	-
2027	2,670,427,023	5.00%	462,060	-	389,750	851,810	-	(125,769)	726,041	0.0277	-
2028	2,790,596,239	4.50%	461,334	-	424,625	885,959	-	(125,953)	760,006	0.0278	-
2029	2,916,173,070	4.50%	460,315	-	458,600	918,915	-	(125,804)	793,110	0.0278	-
2030	3,018,239,127	3.50%	459,001	-	487,000	946,001	-	(125,726)	820,275	0.0277	-
2031	3,123,877,496	3.50%	457,394	-	499,100	956,494	-	(123,667)	832,827	0.0272	-
2032	3,217,593,821	3.00%	465,346	-	500,400	965,746	-	(121,927)	843,819	0.0268	-
2033	3,314,121,636	3.00%	250,950	-	496,200	747,150	-	(94,767)	652,383	0.0201	-
2034	3,413,545,285	3.00%	248,875	-	498,375	747,250	-	(92,583)	654,667	0.0196	-
2035	3,515,951,644	3.00%	251,000	-	496,975	747,975	-	(90,507)	657,468	0.0191	-
2036	3,621,430,193	3.00%	252,775	-	500,200	752,975	-	(88,926)	664,049	0.0187	-
2037	3,730,073,099	3.00%	249,288	-	498,050	747,338	-	(86,241)	661,097	0.0181	-
2038	3,841,975,292	3.00%	-	-	495,600	495,600	-	(57,480)	438,120	0.0116	-
2039	3,957,234,550	3.00%	-	-	497,775	497,775	-	(56,311)	441,464	0.0114	-
2040	4,075,951,587	3.00%	-	-	499,500	499,500	-	(55,113)	444,387	0.0111	-
2041	4,198,230,135	3.00%	-	-	495,850	495,850	-	(53,386)	442,464	0.0108	-
2042	4,324,177,039	3.00%	-	-	496,825	496,825	-	(52,165)	444,660	0.0105	-
2043	4,453,902,350	3.00%	-	-	497,350	497,350	-	(92,792)	404,558	0.0093	-
			\$ 7,034,965	\$ -	\$ 9,194,481	\$ 16,229,446	\$ -	\$ (2,197,731)	\$ 14,031,715	\$ -	\$ -

Assumptions:

- (1) FY 2022 Freeze-Adjusted Assessed Valuation ("AV") provided by the Gillespie County appraisal district as of July 29, 2021. AV includes 60% of the under review amount of \$65,289,965. Projected AV growth provided by the City and is shown for purposes of illustration only.
- (2) All financing assumptions are as of January 19, 2022 for purposes of illustration only.
- (3) Preliminary Series 2023 GO assumes a November 2022 election, May 2023 close and current market rates + 50bps (0.50%) of cushion. Preliminary, subject to change.
- (4) Total FY 2022 frozen tax revenues assumed to remain constant at \$905,619 and the portion attributable to the I&S tax rate is calculated on a pro rata basis assuming a constant M&O tax rate of \$0.1680 at 98% collections.
- (5) Est. tax collection rate: 98.00%

**City of Fredericksburg, Texas**  
**Projected \$9,000,000 May 2023 Issuance With a \$0.0021 Increase to the I&S Tax Rate**  
**Public Safety Building Project**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
FYE	Freeze-Adj. Assessed Valuation	Est. Growth	Existing D/S	Less: Self-Supporting D/S	Projected 2023 Issuance Series 2023 5/17 2.50%	Projected Total D/S	Less: Available D/S Funds	Less: Frozen Tax Revenues	Projected Total Net D/S	Projected I&S Tax Rate	Change
2022	\$ 2,092,349,448		\$ 814,251	\$ -	\$ -	\$ 814,251	\$ -	\$ (125,968)	\$ 688,284	\$ 0.0278	\$ -
2023	2,196,966,920	5.00%	814,781	-	-	814,781	-	(125,968)	688,813	0.0278	-
2024	2,306,815,266	5.00%	462,474	-	346,204	808,678	-	(133,878)	674,800	0.0298	0.0021
2025	2,422,156,030	5.00%	462,630	-	322,075	784,705	-	(125,825)	658,880	0.0278	
2026	2,543,263,831	5.00%	462,492	-	353,950	816,442	-	(125,662)	690,780	0.0277	
2027	2,670,427,023	5.00%	462,060	-	388,950	851,010	-	(125,666)	725,344	0.0277	
2028	2,790,596,239	4.50%	461,334	-	421,950	883,284	-	(125,620)	757,664	0.0277	
2029	2,916,173,070	4.50%	460,315	-	458,850	919,165	-	(125,834)	793,330	0.0278	
2030	3,048,239,127	3.50%	459,001	-	484,950	943,951	-	(125,488)	818,464	0.0277	
2031	3,123,877,496	3.50%	457,394	-	519,450	976,844	-	(125,967)	850,877	0.0278	
2032	3,217,593,821	3.00%	465,346	-	532,550	997,896	-	(125,475)	872,421	0.0277	
2033	3,314,121,636	3.00%	250,950	-	750,450	1,001,400	-	(123,041)	878,359	0.0270	
2034	3,413,545,285	3.00%	248,875	-	751,075	999,950	-	(120,116)	879,834	0.0263	
2035	3,515,951,644	3.00%	251,000	-	748,900	999,900	-	(117,388)	882,512	0.0256	
2036	3,621,430,193	3.00%	252,775	-	751,200	1,003,975	-	(115,125)	888,850	0.0250	
2037	3,730,073,099	3.00%	249,288	-	752,900	1,002,188	-	(112,309)	889,878	0.0243	
2038	3,841,975,292	3.00%	-	-	749,075	749,075	-	(84,380)	664,695	0.0177	
2039	3,957,234,550	3.00%	-	-	749,725	749,725	-	(82,440)	667,285	0.0172	
2040	4,075,951,587	3.00%	-	-	749,775	749,775	-	(80,477)	669,298	0.0168	
2041	4,198,230,135	3.00%	-	-	749,225	749,225	-	(78,493)	670,732	0.0163	
2042	4,324,177,039	3.00%	-	-	748,075	748,075	-	(76,492)	671,583	0.0158	
2043	4,453,902,350	3.00%	-	-	756,175	756,175	-	(137,984)	618,191	0.0142	
			\$ 7,034,965	\$ -	\$ 12,085,504	\$ 19,120,470	\$ -	\$ (2,519,596)	\$ 16,600,874		\$ 0.0021

Assumptions:

- (1) FY 2022 Freeze-Adjusted Assessed Valuation ("AV") provided by the Gillespie County appraisal district as of July 29, 2021. AV includes 60% of the under review amount of \$65,289,965. Projected AV growth provided by the City and is shown for purposes of illustration only.
- (2) All financing assumptions are as of January 19, 2022 for purposes of illustration only.
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- (5) Est. tax collection rate: 98.00%



## CITY COUNCIL MEMO

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**DATE:** January 24, 2022

**TO:** Mayor and City Council

**FROM:** Kent Myers, City Manager

**SUBJECT:** Annexation Priorities-2022

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### **Summary:**

The purpose of this agenda item is to discuss the annexation areas adopted by the City Council in 2019 and determine the City Council's annexation priorities for 2022.

### **Recommendation:**

Following discussion in both open session and executive session it is recommended that the City Council provide their annexation priorities in 2022.

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### **Background / Analysis:**

Municipal governments in Texas normally annex adjacent properties into the City Limits for a variety of different reasons. In the case of Fredericksburg, we have generally annexed land due to (1) an increase in growth and development in certain areas and a need to get ahead of this growth by establishing City regulations to ensure quality development; (2) the need to create additional opportunities for development of affordable housing; and (3) the need to construct roadways in certain areas to improve traffic congestion.

In 2019 the City Council considered these and other factors and adopted the attached Resolution 2019-06R. This resolution established seven different areas that the Council wanted the City to consider for possible involuntary annexation. Involuntary annexations are no longer allowed in the State of Texas due

The City of Fredericksburg

to legislation recently adopted. However, this resolution allows involuntary annexation of areas that were under consideration prior to the effective date of new state legislation. This resolution directed the City Manager to prepare service plans for seven different areas that the City Council determined were advantageous for the City to consider annexing into the City Limits. It does not bind or commit the City to annex these areas.

The City has completed the annexation of one of these areas (Area 6) and two of these areas have been approved but are under litigation (Areas 6A and 6B). An executive session has been scheduled for Monday's Council meeting to discuss pending litigation for these two areas. Another area previously approved for annexation by the City along Highway 290E is also under litigation and the status of this will also be discussed in executive session.

The other four areas included in the previous Council resolution (Areas 1, 3, 4A and 5) have not been annexed into the City Limits. The Council is requested to review the maps for these four areas and provide staff guidance and direction on whether you would like for us to proceed with the initial steps for annexing one of more of these areas. These steps would include conducting meetings with the property owners and scheduling public hearings.

**Attachments:**

Resolution 2019-06R Directing City Manager to Prepare Annexation Plans for Certain Areas

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**Department Approval**



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**City Attorney Approval**

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**City Manager Approval**

**RESOLUTION 2019-06R**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS, DIRECTING THE CITY MANAGER TO PREPARE A SERVICE PLAN FOR CERTAIN AREAS, RELATED TO FUTURE ANNEXATION.**

WHEREAS, the City Council has determined that the prosperous and orderly growth of the City may necessitate that one or more areas of land be annexed by the City; and

WHEREAS, the City Council has previously identified tracts of land for future annexation, which the City Council considers to be located in areas that are significant to the City's continued development.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS:

Section 1. That the City Council adopts the findings and recitals set forth in the preamble of this Resolution.

Section 2. That the City Council hereby directs the City Manager to prepare a service plan for the areas identified in Exhibit "A", a copy of which is attached hereto and incorporated herein by reference.

Section 3. That the City Council intends for this Resolution to be adopted in conformance with the proposed Section 4.01(b) of *H.B. No. 347* (2019), as said legislation is proposed on the date of adoption of this Resolution.

PASSED AND APPROVED this 14th day of May, 2019.

  
\_\_\_\_\_  
Mayor

ATTEST:  
  
\_\_\_\_\_  
City Secretary

APPROVED AS TO FORM:  
  
\_\_\_\_\_  
City Attorney

## Exhibit A

Maps of:

- 1) Area 1
- 2) Area 3
- 3) Area 4A
- 4) Area 5
- 5) Area 6
- 6) Area 6A
- 7) Area 6B





**City of  
Fredericksburg  
Proposed  
Annexation**

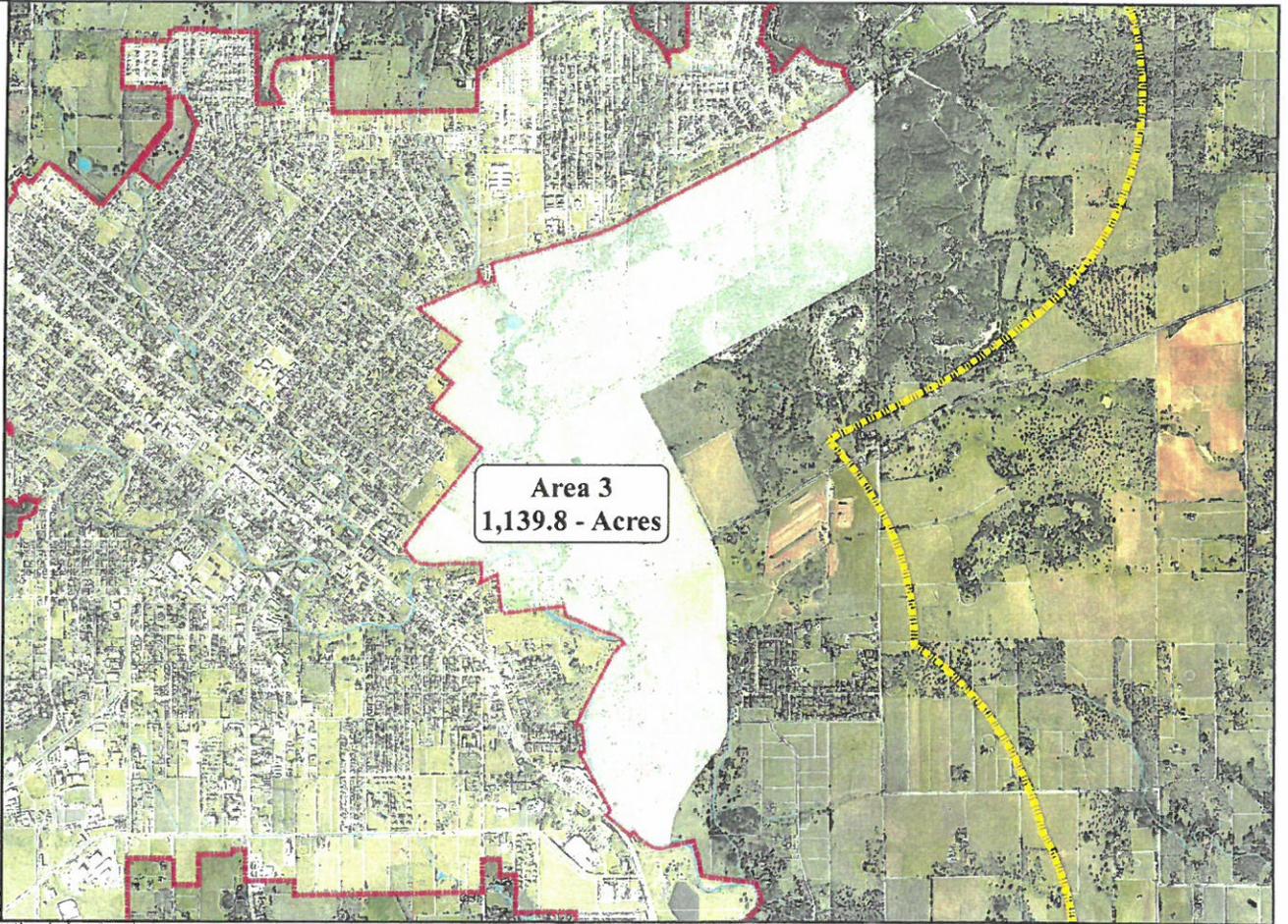
**Proposed Annexation  
Areas**

- Area # - Acreage
- Proposed Area 3 -  
1,139.8 Acres
-  City Limit Boundary
-  1-Mile ETJ  
Boundary

\*NOTE: City Limit  
Boundary currently  
contains approximately  
5,818 acres

1 inch = 1,600 feet

5/15/2019



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**City of  
Fredericksburg  
Proposed  
Annexation**

**Proposed Annexation  
Areas**

**Area # - Acreage**

Proposed Area 4A -  
248.8 Acres

 City Limit Boundary

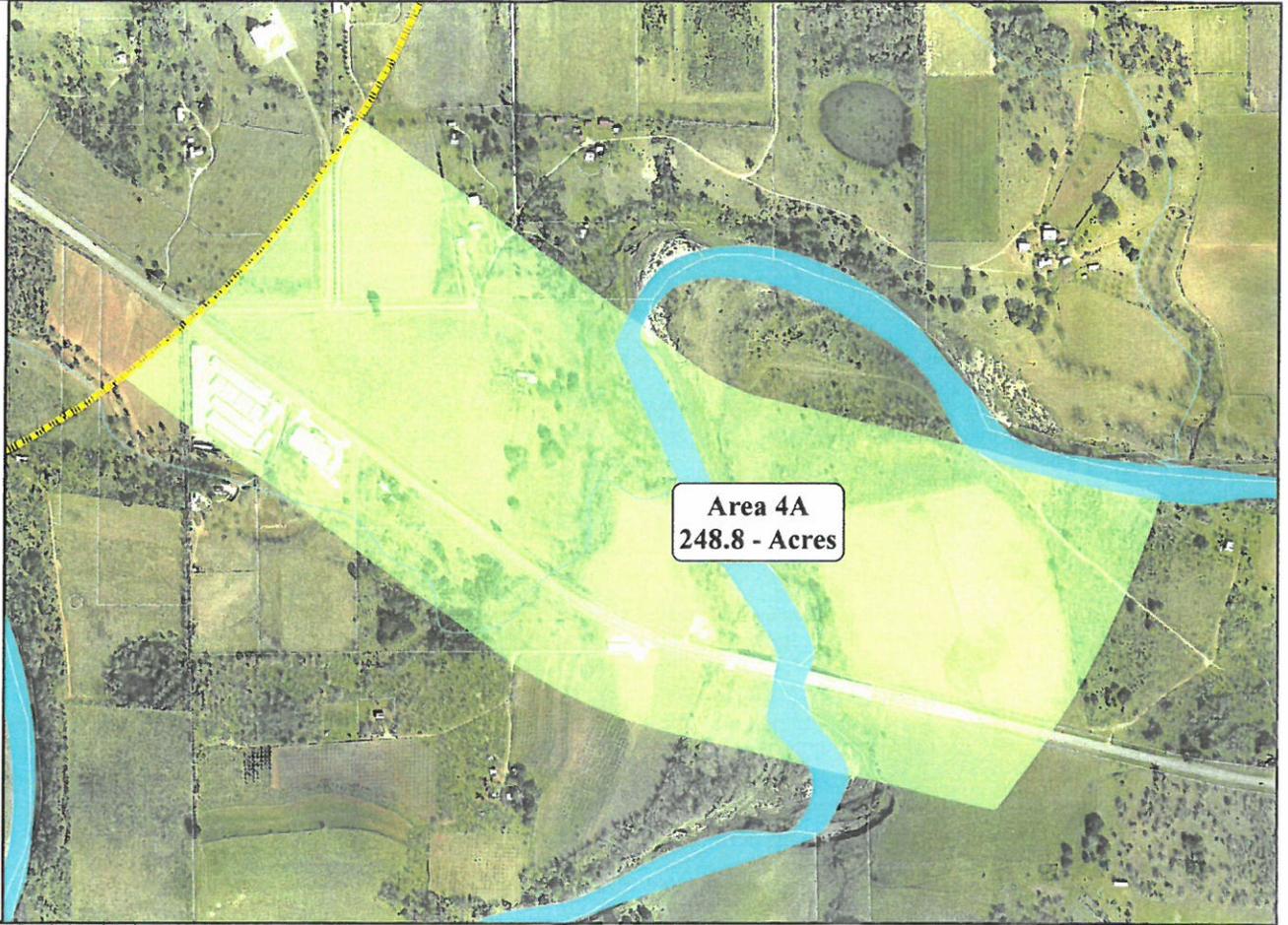
 1-Mile ETJ  
Boundary

\*NOTE: City Limit  
Boundary currently  
contains approximately  
5,816 acres

1 Inch = 500 feet

5/15/2019

N



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**City of  
Fredericksburg  
Proposed  
Annexation**

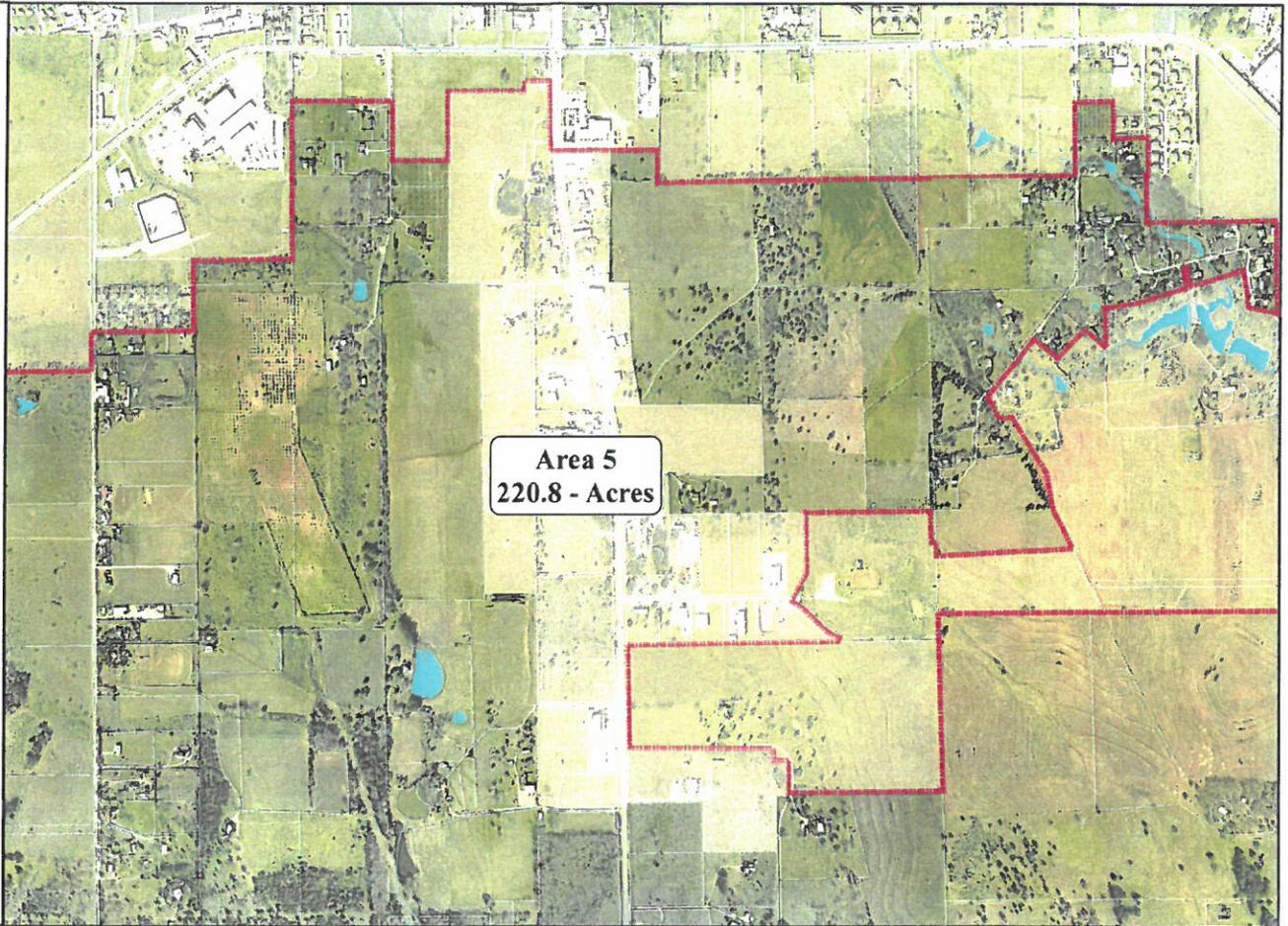
**Proposed Annexation  
Areas**

- Area # - Acreage**  
Proposed Area 5 -  
220.8 Acres
-  City Limit Boundary
  -  1-Mile ETJ Boundary

**Area 5  
220.8 - Acres**

\*NOTE: City Limit  
Boundary currently  
contains approximately  
5,818 acres

1 inch = 725 feet  
5/15/2019



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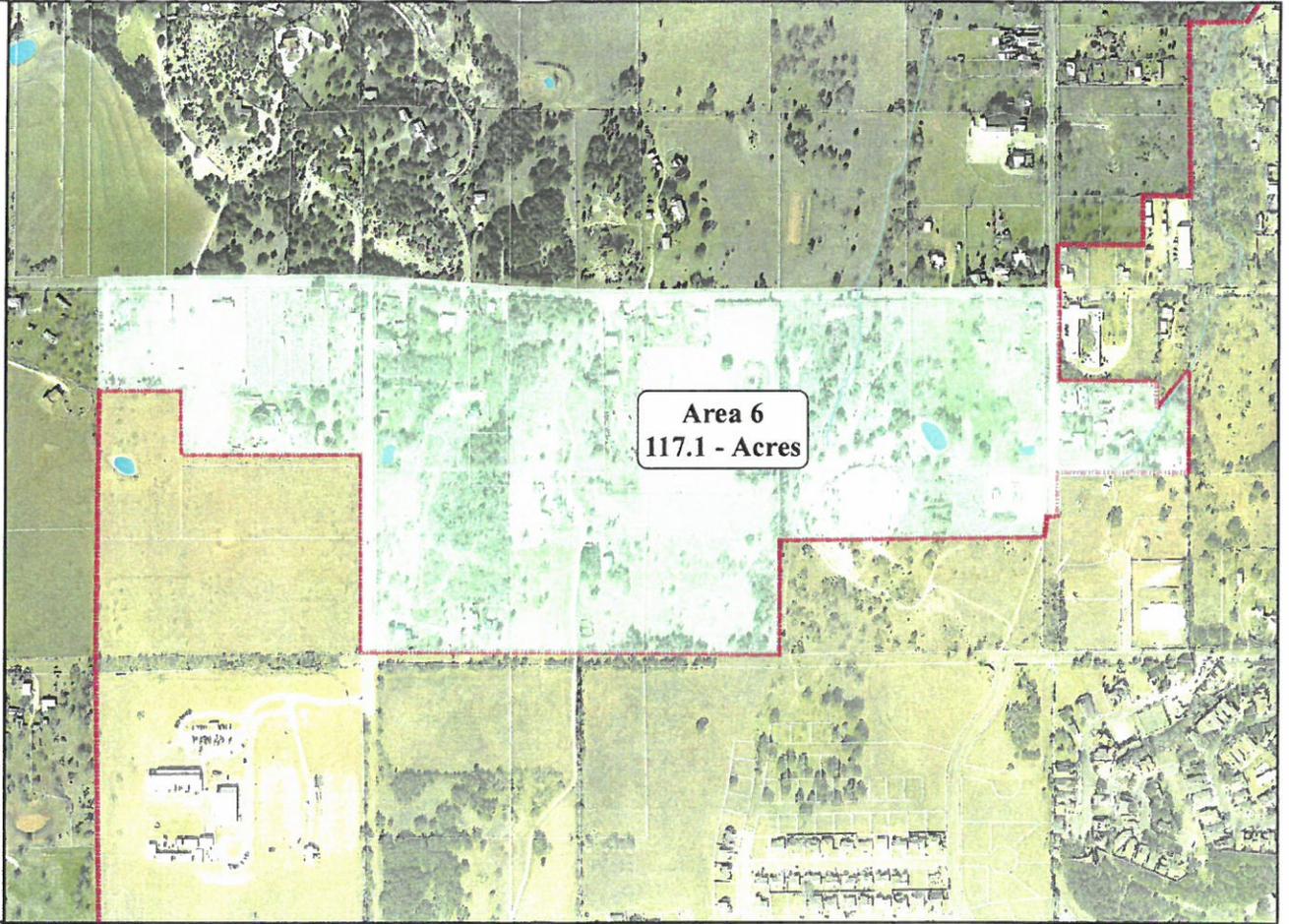


**City of  
Fredericksburg  
Proposed  
Annexation  
Areas**

- Area # - Acreage**  
Proposed Area 6 -  
117.1 Acres
-  City Limit Boundary
  -  1-Mile ETJ Boundary

\*NOTE: City Limit  
Boundary currently  
contains approximately  
5,816 acres.

1 inch = 375 feet  
5/15/2019



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**City of  
Fredericksburg  
Proposed  
Annexation**

**Proposed Annexation  
Areas**

**Area # - Acreage**

Proposed Area 6A -  
46.9 Acres

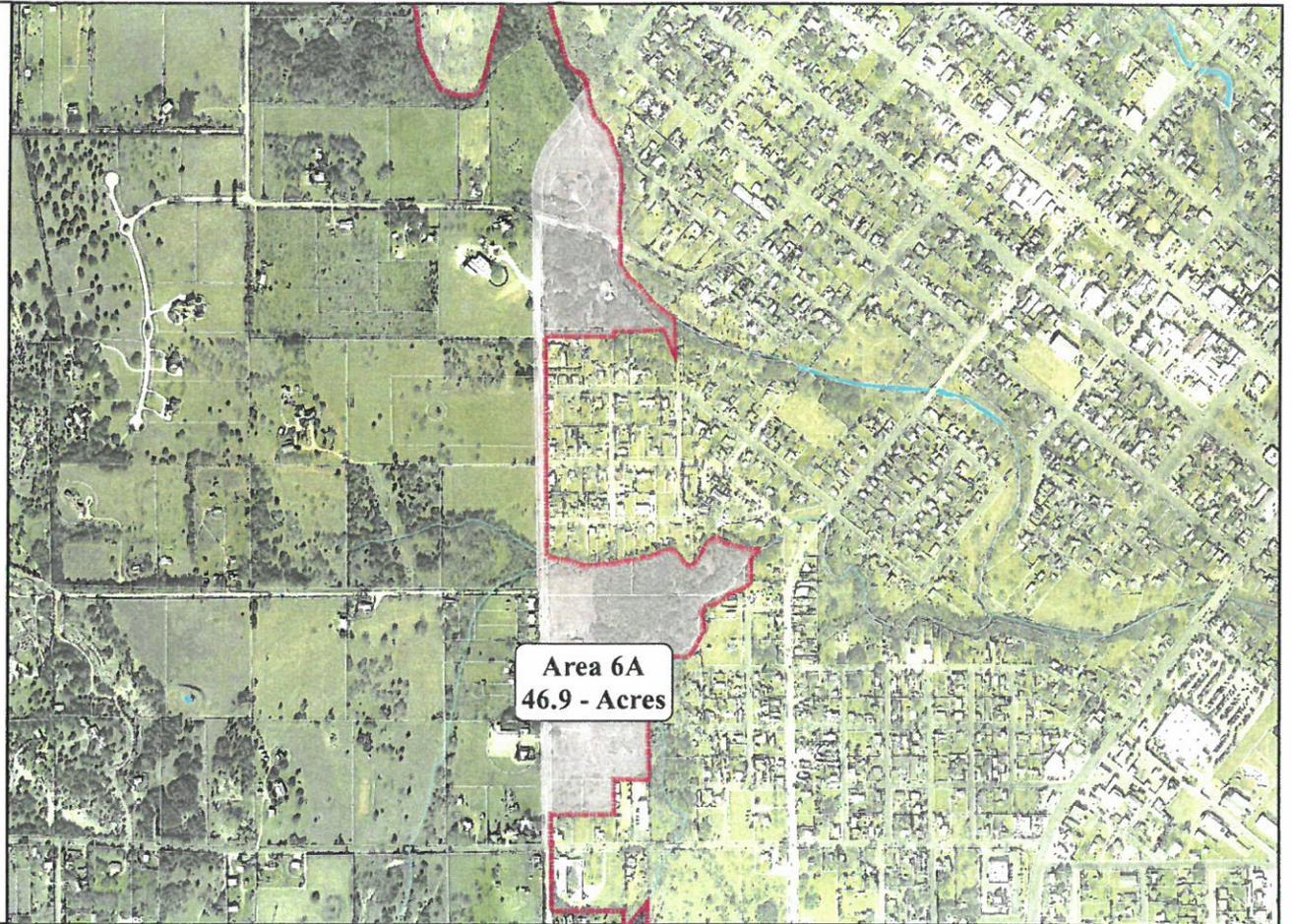
 City Limit Boundary

 1-Mile ETJ  
Boundary

\*NOTE: City Limit  
Boundary currently  
contains approximately  
5,818 acres

1 inch = 525 feet

5/15/2019



**Area 6A  
46.9 - Acres**

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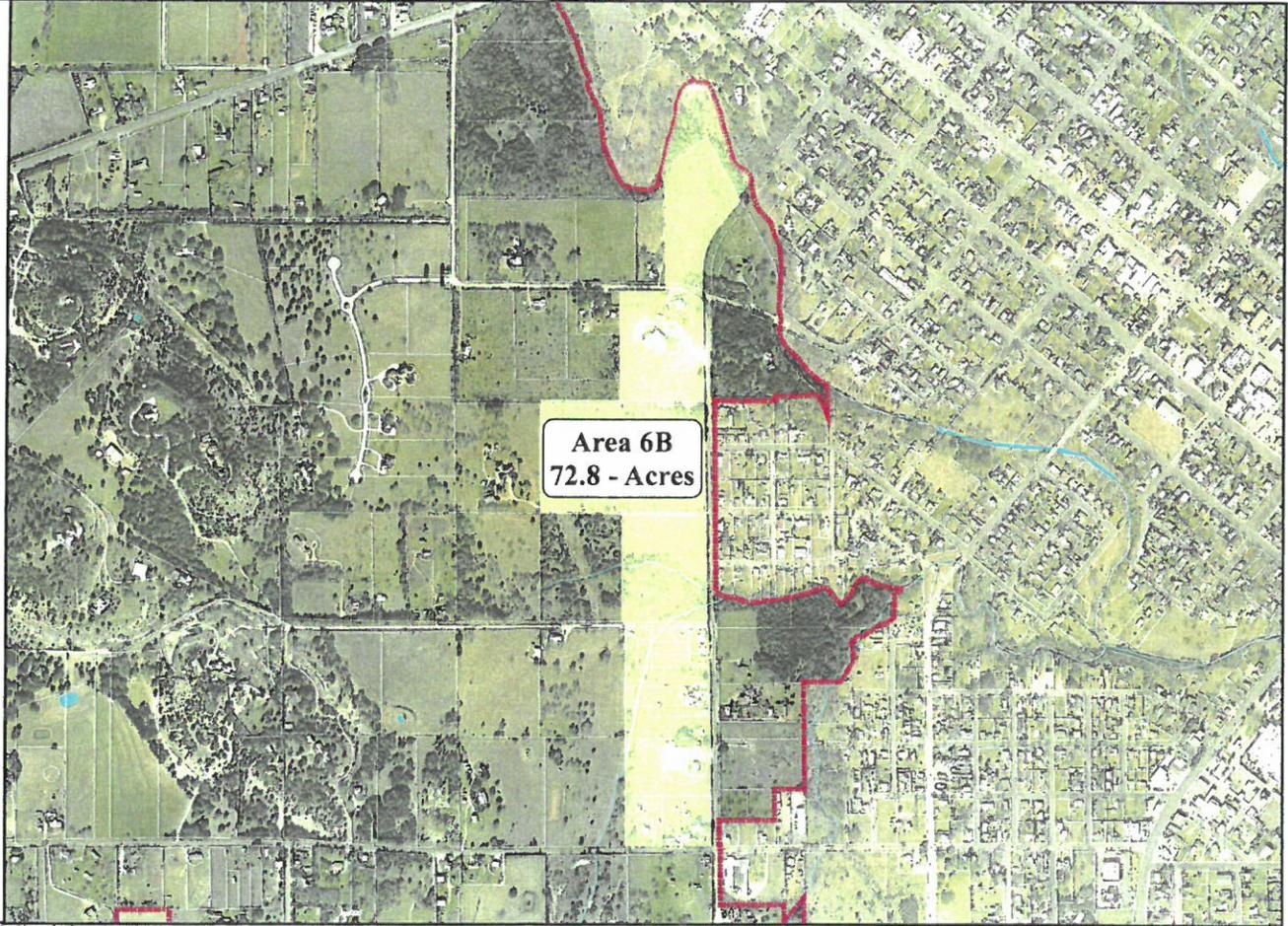


**City of  
Fredericksburg  
Proposed  
Annexation**

**Proposed Annexation  
Areas**

- Area # - Acreage**  
Proposed Area 6B -  
72.8 Acres  
 City Limit Boundary  
 1-Mile ETJ  
Boundary

**Area 6B  
72.8 - Acres**



\*NOTE: City Limit  
Boundary currently  
contains approximately  
5,616 acres

1 inch = 600 feet  
5/15/2019

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