

# Terminal FAQ

March 13, 2019

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This agreement is for the development known as the San Marcos Air Rail and Truck (SMART) Terminal. The SMART Terminal is a proposed 888-acre rail-served industrial park on the east side of IH35 just south of Gary Job Corps and of the San Marcos Regional Airport. Rail-served commercial and industrial parks are rare, and the proposed SMART Terminal is likely to attract corporate tenants that will provide quality jobs and make significant capital investment in our community. The development will be the only dual Class 1 rail served park between Temple and San Antonio with service from both Union Pacific and Burlington Northern Santa Fe (BNSF) with appropriate rail infrastructure.

The site is located just east of the alignment for the new FM110 loop which is jointly financed by the city, county and TXDOT through a Transportation Reinvestment Zone (TRZ). The site's proximity to the airport and FM110 provides easy access to rail, major highway, and air transport. The SMART Terminal development has already spurred interest among other manufacturing and distribution prospects. Having a rail service park in San Marcos now enables the city to respond to RFPs it previously could not that are "rail required," and positions the community to be much more competitive. In addition, the trade-skills labor needed by the project is ideal for the workforce of San Marcos, which has a large segment of its workforce that would benefit from trade-skill based employment from other potential manufacturing and distribution employers. It is estimated that the total amount of investment could be up to \$3 or \$4 billion and employing thousands at full build out over several years. The City of San Marcos and Caldwell County are pursuing EDA grants to assist with the funding of the rail infrastructure.

The developer of the SMART Terminal is seeking annexation and heavy industrial zoning to be able to invest in the rail infrastructure needed for the entire park. Even without City of San Marcos annexation and zoning, this development could occur in the City's Extraterritorial Jurisdiction (ETJ) with limited regulatory oversight and lower development standards.

The developer of the SMART Terminal has requested annexation into the City; as a result, the City has the ability to require standards for development of the project that exceed those standards adopted under the land development code, and which would not apply if the development occurred outside city limits in the ETJ. These higher standards include:

- ✓ **Floodplain development and stormwater management standards that protect adjacent and downstream property owners, including a 70% impervious cover limitation.**
- ✓ **Water quality standards that meet stricter Edwards Aquifer recharge zone and San Marcos River corridor regulations.**
- ✓ **Land use restrictions that prohibit specific industrial and commercial uses that could potentially pollute the river. The list of prohibited uses can be found on the next page.**
- ✓ **Development will comply with adopted international fire and building codes.**

Due to the economic development potential of the SMART Terminal, and the enhanced development standards that the City of San Marcos will apply to the project, staff recommends approval of the following:

- ✓ **Chapter 380 economic development incentive and ETJ development agreement**
- ✓ **Annexation of the property into the City of San Marcos**
- ✓ **Zoning the property to Heavy Industrial (HI) district, as modified by the Chapter 380 agreement**

**What terms and standards are provided under the SMART Terminal Chapter 380 economic development incentive and development agreement?**

- Concurrent annexation & zoning of +/- 734 acres.
- All or portion of the remaining property may be annexed and zoned following ETJ agreements with Martindale.
- A potential exchange of adjacent city-owned land for land owned by the developer.
- Developer construction of public improvements with City participation in the cost of oversizing utilities including a regional wastewater lift station valued at ~\$6M.
  - Developer eligible for reimbursement of a portion of the cost.
- Imperious cover cannot exceed 70% for the entire site, with no lot exceeding 80%.
- Nuisance Abatement:
  - Sets maximum permissible sound levels No activity or sound source within the Property may produce a measurable sound that exceeds 90 decibels when measured 200 feet from the boundary of the Property excluding train horns
  - Smoke and Noxious Odors prohibited
- Provides protections to prevent incompatible development to interfere with airport operations.
- Development waivers of the following standards:
  - Maximum blank wall area requirement
  - Maximum block perimeter requirement.
  - Allowing chain link fence in the front of the property
  - Landscaping within designated trailer parking area, with the requirement that trees be placed elsewhere on the lot
  - Sidewalks would be required only along Highway 80, West side of FM 110, and for pedestrian access to hotels, day cares, retail, entertainment, bars, and restaurants
- Allowing interim agricultural uses.
- Additional permitted uses:

Office Health Services	Metal Fabrication Shop
Medical Offices	Moving Storage Company
Professional Offices	Warehouse/Office and Storage
Call Service Center	Welding Shop
Communication Equipment	Manufacturing
Medical Supplies and Equipment	Airport Support and Related Services
Cabinet Shop	Distribution

Retail Store w drive thru	Electronic Assembly/High Tech Manufacturing
Retail Store w/o drive thru	Engine Repair/Motor Manufacturing
Security Systems Installation Company	Food Processing
Upholstery Shop	Laboratory Equipment Manufacturing
Woodworking Shop	Machine Shop
Electrical Substation	Manufacturing Processes Not Listed
Governmental Building	Micro-Brewery
Philanthropic Organization	Plastic Product Molding and Reshaping
Auction Sales (non-vehicle)	Research Lab (non-hazardous
Bio-Medical Facilities	Sign Manufacturing
Caterer	Stone/Clay/Glass Manufacturing
Extermination Services	Hotel or Motel
Furniture Manufacturer	Vehicle Repair (Train Maintenance)
Urban Farm	Building Material Sales
Maintenance/Janitorial Service	Day Care Services
Data Center	Distribution and processing of construction materials
All Heavy Industrial Used authorized by the COSM Zoning Code not specifically excluding in the section below.	Restaurants
Bank	Convenience Store

- Prohibited uses:
  - Acid manufacture
  - Auto wrecking yards
  - Bulk storage of fuel, liquefied petroleum and flammable liquids
  - Manufacture of cement, lime, gypsum or plaster of Paris manufacture
  - Distillation of bones
  - Explosives / fertilizer manufacture or storage
  - Garbage, offal or dead animal reduction, dumping, storage, incineration
  - Gas manufacture
  - Iron and steel manufacture
  - Junkyards, including storage, sorting, baling or processing of rags
  - Manufacture of carbon batteries
  - Manufacture of paint, lacquer, oil, turpentine, varnish, enamel, etc.
  - Manufacture of rubber, glucose, or dextrin. Monument or marble works
  - Oil compounding and barreling plants
  - Manufacturing or distillation of tar
  - Monument of marble works
  - Paper or pulp manufacture
  - Refining of petroleum or its products

- Railroad roundhouses or shops
- Rock crushers
- Smelting of tin, copper, zinc or iron ores / Steel furnaces
- Stockyards or slaughtering
- Fat rendering
- Cemeteries
- Labor Camps
- Jail or honor farms
- Sugar refineries
- Tar distillation or manufacture
- Manufacture or distribution of Hazardous Materials

\* At the January 19<sup>th</sup> work session presentation, structural iron or pipe works companies were listed as a proposed prohibited use, City staff is now recommending that structural iron or pipe works companies be allowed within this development. After reviewing Epic Piping's operation (a similar company), we see no potential impact that would adversely impact the environment.

**Is there another location that could accommodate a similar rail-served commercial and industrial park?**

- A minimum of 500 acres, and at least one mile or rail frontage, is necessary to justify the capital expense of a ~\$15M rail spur for development of this kind.
- The SMART Terminal fronts a dual-service rail line that is served by Union Pacific and BNSF railroads. Rail Service south of downtown is only Union Pacific Rail. A dual service rail adds an additional layer of opportunity for the City of San Marcos.
- Securing approval of this rail spur from Union Pacific took over two years, and represents a significant investment of time and capital on behalf of the developer.
- The subject property is directly adjacent to the San Marcos Regional Airport and the FM 110 roadway currently under construction with City and Hays County funds.
- There are no other similarly situated properties within the City limits or ETJ of San Marcos.

**How will this affect the number of trains in the area?**

- There are currently ~21 trains per day along this rail line.
- At full buildout, the SMART Terminal is likely to increase locomotive traffic by the equivalent of 1 to 3 trains a week. The actual impact of the SMART Terminal will be to add a small number of rail cars to many of the trains that already travel along this line.
- Deferring to rail transportation can reduce a company's road miles by up to 80%. One potential SMART Terminal tenant stated that their company currently drives 15,000,000 road miles per year. Using the SMART Terminal to deliver products by rail, 80% of those road miles could be taken off the highway system.

**How will development of this property affect the San Marcos Regional Airport?**

- The proposed SMART Terminal will benefit the San Marcos Regional Airport by generating increased private air traffic, and attracting commercial development that requires proximity or access to air, rail and truck transportation services.
- The Airport will benefit from wastewater infrastructure constructed by the developer.

- The Airport Master Plan provides for the future extension of runway 35/17. The Chapter 380 agreement requires the developer to provide for a “Runway Protection Zone” that will ensure that no hazards are erected in the runway flight path.
- Enhanced drainage requirements in the Chapter 380 agreement provide for the developer to work with the City to mitigate drainage impacts that originate on Airport property.

#### **What roadway improvements are planned in this area?**

- Traffic Impact Analysis (TIA) is the tool used by the City of San Marcos, as well as TxDOT, to determine what, if any, roadway improvements are required as a result of the development.
- The developer will be required to conduct a TIA for City and TxDOT which will identify transportation improvements needed because of the development.
- City and TxDOT anticipate that the TIA will indicate a need for improvements to Hwy. 80 and possibly FM 110. Such improvements are likely to include center and right turn lanes on Hwy. 80, which will improve safety in the area.
- FM 110 will help alleviate traffic congestion in the area. As of January 15, 2019, construction of the south and middle sections of FM 110 are scheduled to begin Spring 2019. Construction of the northern section of FM 110 is scheduled to begin Winter 2019. Updated dates for construction as of March 13, 2019 are now estimated to be July 2019 for the south section and March 2020 for the middle section and July 2020 for the northern section.
- The City and TxDOT are discussing potential safety improvements along Hwy. 21, north of Hwy. 80, including a possible traffic signal at the Blanco River Village entrance. The cost of a traffic light is between \$200,000 and \$250,000. The City has discussed the potential for the City funding this improvement directly.
- 2016 Average Annual Daily Trips per TxDOT:
  - On SH 80 east of Hwy 21 = 18,006
  - On Hwy 21 north of SH80 = 10,635

#### **What is the approved Katerra Chapter 380 Economic Development Incentive Agreement?**

- On October 16, 2018, the City Council approved a Chapter 380 economic development incentive agreement with Katerra, Inc., an innovative construction technology company that will invest \$109 M to construct a +600,000 square foot manufacturing facility in San Marcos, and create more than 542 jobs paying a family living wage for our community.
- The agreement provides a waiver of the following development standards:
  - Block perimeter maximums
  - Dead end street maximums
  - Maximum blank wall area on a building
- The agreement provides for reimbursement to the company of a portion of property taxes paid by the company over a ten-year period, provided that the company meets performance standards related to capital investment and job creation.

**Why has the developer requested annexation and zoning for the entire SMART Terminal rather than limiting the request to the 66 acres to be developed by Katerra?**

- The SMART Terminal, of which Katerra is only a part, entails significant capital investment.
- The required rail, roadway, water and wastewater infrastructure, is estimated at \$45M.
- The developer is responsible for the up-front cost of planning, engineering, and construction of this infrastructure.
- The developer is seeking annexation and zoning entitlements (the right to develop the proposed project) for the entire site prior to making this capital investment.
- This is standard land development practice. Any developer or investor will require a reasonable legal assurance from the City that the development proceed under a well-defined and agreed-upon set of standards in order to justify the financial investment.

**Who will provide utilities to the site?**

- Bluebonnet Electric Cooperative will provide electric service.
- The City of San Marcos and Maxwell Water Service Corporation will provide water service.
- City of San Marcos will provide wastewater service.
- The cost of installing utilities within the development is the responsibility of the developer or subsequent owners and would be addressed at the time of platting.

**Does the City having lighting standards that protect residential development from adjacent property owners?**

- The City of San Marcos land development code includes lighting and glare standards that will apply to the SMART Terminal upon annexation and zoning.
- Specifically, “No lighting plan shall distribute light greater than .25-foot candles across a lot line...no lighting plan shall distribute light onto a residential lot other than light from street lights.”
- A photometric plan is submitted for City approval with each development site plan.

**Fire Service / ISO Rating**

- ISO is an independent insurance rating that reflects the ability of the Fire Department to protect the community. The SMART Terminal is within five miles of existing Fire Station #5, which gives the property a sufficient ISO rating, and helps minimize hazard insurance premiums for commercial properties located within the development.
- A new fire station will likely be located closer to this site in the future, possibly near the intersection of Hwy. 80 and Hwy. 21.
- The SMART Terminal project does not create the need for a new fire station at this location.

**What are the City’s adopted floodplain regulations?**

- The City’s adopted land development code treats all “floodplain” as “floodway.”

- Hydraulic analysis (2-D modeling) is required for all modification of, or improvements within, the floodplain, and the 2-D modeling must show “no-rise” in the floodplain elevation as a result of the improvements.
- Floodplain storage volume under existing conditions must be maintained.
- On-site stormwater controls will be designed to reduce overall post development peak rates of discharge that are at least 10 percent less than existing pre-development peak rates at each point of discharge.
- Building lowest floor elevation must be 2-feet above the floodplain.
- The Chapter 380 agreement provides that development within the SMART Terminal shall adhere to all adopted City floodplain regulations.

#### **What are the City’s adopted water quality requirements?**

- The City’s adopted land development code provides for enhanced water quality standards in environmentally sensitive areas, including the application of low impact development (LID) features, and best management practices (BMP’s), to ensure that total suspended solids (TSS) are removed from stormwater.
- The SMART Terminal site is located outside the defined environmentally sensitive areas (Edwards Aquifer Recharge Zone, Transition Zone, San Marcos River Protection Zone, and the San Marcos River Corridor); therefore, under adopted code, stormwater quality treatment is not required.
- As stated on Page 1, the Chapter 380 agreement requires that development within the SMART Terminal employ enhanced water quality standards even though it is not located in a defined environmentally sensitive area.

#### **What are the City’s adopted impervious cover restrictions?**

- Impervious cover is limited to 80% in the Heavy Industrial (HI) zoning district.
- Existing slopes between 15% and 25% are limited to 35% impervious cover.
- Existing slopes greater than 25% are limited to 20% impervious cover.
- No impervious cover is allowed within a Water Quality Zone, except for limited instances.
- Limited impervious cover is allowed within a Buffer Zone.
- As stated on Page 1, the Chapter 380 agreement requires that development within the SMART Terminal adhere to floodplain development and stormwater management standards that protect adjacent and downstream property owners, including an overall 70% impervious cover limitation.

#### **What other adopted drainage requirements apply to the SMART Terminal?**

- Increased impervious cover may not result in increased runoff.
- Specifically, the rate of runoff after development must be equal to, or less than, the rate of runoff prior to development.
- Improvements may not increase water surface elevations off-site/downstream.
- Upstream flow, based on ultimate buildout conditions, must be conveyed through site.
- Drainage infrastructure must be designed for the 25-year storm with the 100-year contained within a drainage easement or ROW.

- Additional detailed information regarding watersheds in the vicinity of the SMART Terminal project are provided in an attached memorandum prepared by Laurie Moyer, Director of Engineering & Capital Improvements.

**What is the economic benefit to San Marcos?**

- Approval of the SMART Terminal will result in approximately \$45 M capital investment in community infrastructure improvements by the developer.
- Private commercial and industrial development within the SMART Terminal, such as the Katerra project, will result in an estimated \$3 to \$4 billion in increased property values. To put this in perspective, the current assessed value of all taxable land and property within the City of San Marcos is approximately \$4.5 billion.
- Property taxes paid by these companies will support City and County services, as well as the San Marcos Consolidated Independent School District (SMCISD).
- Companies locating within the SMART Terminal will create quality jobs that provide a family living wage and benefits for our community.
- When manufacturing companies create jobs, there is an employment multiplier effect beyond the job itself. Jobs spur demand for goods and services from suppliers, and stimulate economic activity when employed workers spend their paychecks. The SMART Terminal will indirectly support small and local businesses throughout the community.