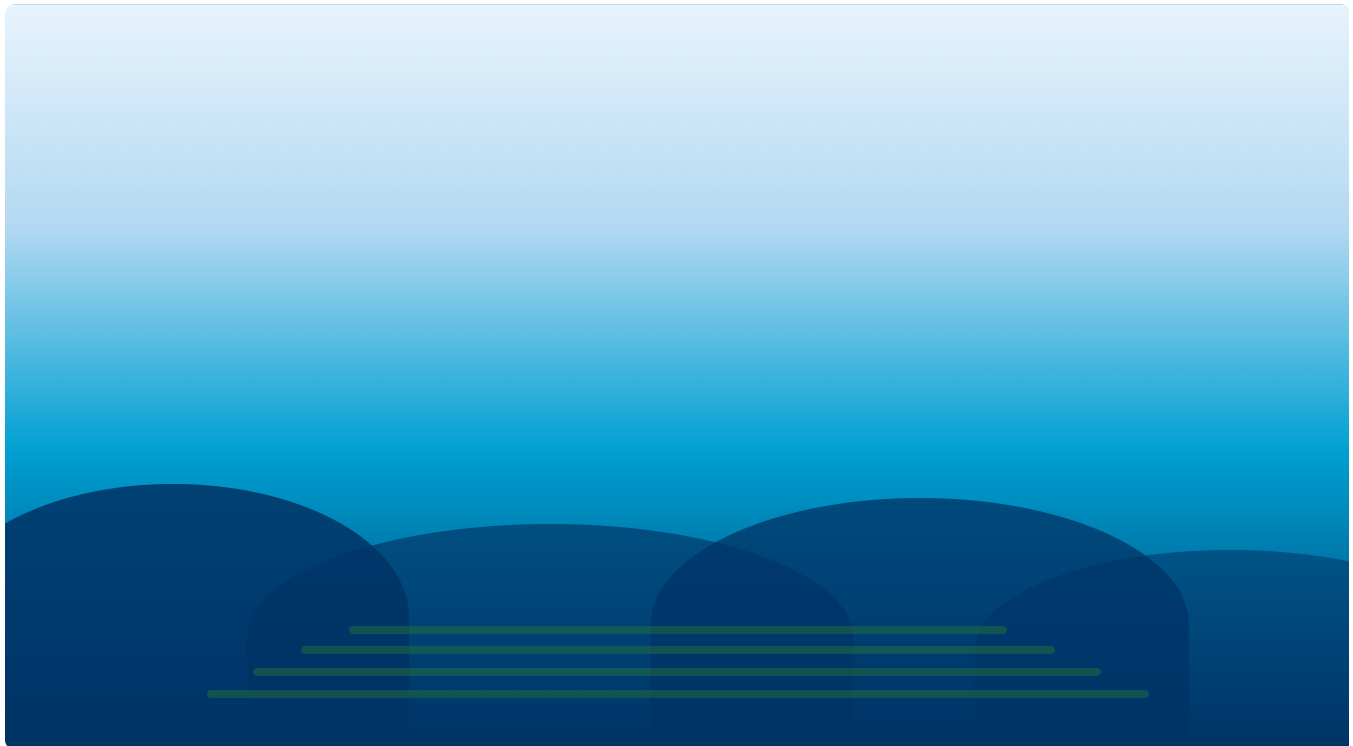


# Fredericksburg Hill Country Resort

## Supplemental Proposal & Detailed Scope

*Feasibility & Infrastructure Analysis Services*

December 2025



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# HOUSTON STRATEGY GROUP

Infrastructure & Permitting Strategy for Texas Hill Country Development

# Executive Summary

✓ Expert-Reviewed & Validated | December 2025

Houston Strategy Group (HSG) is pleased to present this comprehensive feasibility analysis for the proposed Fredericksburg Hill Country Resort, a boutique hospitality development targeting 40-50 keys in one of Texas's premier tourism destinations. This supplemental proposal provides detailed scope, phasing, and engagement terms for delivering infrastructure due diligence, regulatory permitting, and construction oversight services.

Our analysis evaluates two candidate sites within the Fredericksburg market, leveraging our extensive experience with Gillespie County Underground Water Conservation District (GCUWCD), Texas Commission on Environmental Quality (TCEQ), and local municipal authorities. After comprehensive evaluation, **we recommend Site B (Highway 290 Wine Trail property)**, subject to verification of well capacity, floodplain clearance, and TxDOT access approval. Site B offers superior infrastructure access, Highway 290 visibility, Pedernales River frontage, and reduced capital expenditure requirements.

1.2M

ANNUAL VISITORS

72%

TARGET  
OCCUPANCY

\$275

AVERAGE DAILY  
RATE

50+

NEARBY WINERIES

## Engagement Overview

HSG proposes a **five-phase engagement structure** beginning with preliminary feasibility and progressing through site due diligence, engineering coordination, permitting execution, and construction oversight. Total base fees are **\$376,000**, with performance-based bonuses of up to **\$35,000** for successful permit approvals, yielding a maximum engagement value of **\$411,000**.

A **\$12,250 retainer** (50% of Phase 1) is required to initiate engagement, with subsequent phases activated upon client approval and milestone completion. Third-party engineering, surveying, environmental testing, and permitting fees are estimated at **\$285,000–\$385,000** and are billed on a pass-through basis. Clients executing the full five-phase scope upfront receive a **7.5% discount (\$24,250 savings)**.

⚠ **Site B Contingencies:** Recommendation is contingent upon (1) verification of existing well capacity for commercial use, (2) FEMA floodplain survey confirming buildable area outside Zone A/AE, and (3) TxDOT approval for Highway 290 commercial access with required deceleration lane.

*Market data: Fredericksburg CVB 2024, STR Report Q3 2024, Texas Wine Trail Association*

# Market Overview

## Tourism Fundamentals

Fredericksburg stands as one of Texas's most prominent leisure tourism destinations, attracting approximately **1.2 million visitors annually** to its German heritage, wine country, and boutique shopping experiences. The market demonstrates strong seasonality with peak visitation during spring wildflower season (March-April) and fall harvest season (October-November), aligning perfectly with temperate Hill Country weather and wine tourism programming.

The destination benefits from proximity to four major metropolitan feeder markets: Austin (80 miles), San Antonio (70 miles), Houston (280 miles), and Dallas-Fort Worth (270 miles), collectively representing over 13.5 million residents within a four-hour drive. Weekend getaway demand remains robust year-round, supported by over 50 wineries along the Highway 290 Wine Trail, the National Museum of the Pacific War, Enchanted Rock State Natural Area, and a thriving Main Street retail and culinary scene with 150+ shops.

## Key Events & Demand Generators

Event	Period	Attendance	Impact
Wildflower Trail & Wine Trail	March–April	~25,000	Peak spring ADR, high winery traffic
Food & Wine Fest	October	~15,000	Premium pricing, culinary tourism
Oktoberfest	October	~20,000	German heritage celebration, weekend compression
Trade Days	Monthly	~10,000/month	Consistent weekend leisure demand

## Competitive Landscape

Fredericksburg's lodging supply is heavily weighted toward bed-and-breakfast properties, vacation rentals, and limited-service hotels. **No full-service resort with integrated restaurant, spa, and pool amenities currently exists in the market**, representing a significant whitespace opportunity for a 40-50 key boutique property targeting affluent leisure travelers seeking elevated experiences.

Property	Rooms	ADR	Type	Amenities
Hoffman Haus	12	\$350	Boutique B&B	Breakfast, pool, limited service
Fredericksburg Inn & Suites	105	\$180	Limited Service	Pool, breakfast, no restaurant
Hangar Hotel	50	\$220	Themed Hotel	Restaurant, pool, 1940s aviation theme
B&Bs / Vacation Rentals	400+	\$275	Mixed	Fragmented, variable quality

Competitive data: STR Report 2024, AirDNA Fredericksburg Market Analysis

# Market Overview (continued)

## Feeder Market Analysis

<b>Austin</b> 80 miles   1.5 hour drive <b>2.3M metro population</b>	<b>San Antonio</b> 70 miles   1.25 hour drive <b>1.5M metro population</b>
<b>Houston</b> 280 miles   4 hour drive <b>2.3M metro population</b>	<b>Dallas-Fort Worth</b> 270 miles   4 hour drive <b>7.5M metro population</b>

## Market Performance Indicators

Key Market Metrics	
Annual Visitors	1.2M
Target Occupancy	72%
Target ADR	\$275

## Strategic Opportunity

The Fredericksburg market presents a compelling opportunity for a full-service boutique resort that delivers integrated amenities currently unavailable in the competitive set. With strong demand fundamentals, limited upscale supply, and robust feeder market access, a well-positioned property targeting 72% occupancy at a \$275 ADR represents conservative underwriting relative to demonstrated market performance.

Site selection and infrastructure development will be critical success factors. Properties with existing utility access, Highway 290 Wine Trail visibility, and natural amenities (river frontage, hill country views) command premium positioning and reduce development risk. The absence of a true resort-caliber property creates meaningful pricing power and market differentiation potential.

**Gillespie County Considerations:** Dark Sky ordinance requires outdoor lighting with <3,000K color temp and full cutoff fixtures (budget \$8K–\$15K premium). Road impact fees apply to commercial development (~\$18,000–\$28,000 based on trip generation). Properties >10 acres creating new lots require subdivision plat approval.



# Site Comparison

HSG has evaluated two candidate sites for the Fredericksburg Hill Country Resort based on location, infrastructure access, natural amenities, regulatory considerations, and total capital expenditure requirements. Both sites offer compelling attributes, but **Site B emerges as the superior choice** due to Highway 290 Wine Trail frontage, existing well infrastructure, reduced utility CapEx, and shorter drive time to downtown Fredericksburg.

## Site A: Enchanted Rock Hill Country Ranch

Size:	~70 acres
Price:	\$2,040,000
Distance to Downtown:	8 miles
Key Features:	Hilltop views, stargazing
Infrastructure:	No existing utilities
Utility Scenario:	Well + MBR (Septic not viable)
Utility CapEx:	\$750K – \$950K

7.5 / 10

Strong hilltop views ideal for stargazing, but remote location requires extensive infrastructure investment including deep wells (400-600 ft), fire suppression system, private road construction, and electric service extension.

RECOMMENDED

## Site B: Highway 290 Wine Trail

Size:	32.56 acres
Price:	\$1,630,000
Distance to Downtown:	5 miles
Key Features:	1,400 ft Pedernales frontage
Infrastructure:	Existing well, underground electric
Utility Scenario:	Private Well + MBR
Utility CapEx:	\$485K – \$625K*

8.5 / 10

Superior location with Highway 290 visibility, Pedernales River frontage, and existing well infrastructure. Lower CapEx and better downtown access make this the optimal choice.

### ⚠ Site B Critical Contingencies

- **Well Capacity Verification:** Existing well must pass 72-hour pump test for commercial use (add \$45K–\$65K if new well required)
- **TxDOT Access Permit:** Highway 290 commercial entrance requires deceleration lane (\$75K–\$125K) + permit fees (\$8K–\$12K)
- **Floodplain Survey:** Pedernales frontage may require FEMA LOMR if in Zone A/AE (\$15K–\$25K engineering + application)

- **Highway 290 Widening:** TxDOT 10-year CIP includes 290 widening (2028–2032); verify current ROW and potential taking risk

## Capital Expenditure Comparison

Site A (Enchanted Rock)	\$750K – \$950K	
Site B (Hwy 290 Wine Trail)	\$485K – \$625K	

*\*Site B CapEx assumes existing well is adequate for commercial use. Add \$45K–\$65K if new well drilling required. TxDOT decel lane (\$75K–\$125K) is additional to utility CapEx shown.*

# Utility Infrastructure Scenarios

Utility infrastructure represents one of the most significant cost and timeline variables in Hill Country resort development. HSG has modeled three viable scenarios for water supply and wastewater treatment for a 40-50 key resort (estimated daily usage: 12,000–15,000 gallons).

⚠ **Important Note:** Conventional septic systems are **NOT PERMITTED** by TCEQ for commercial facilities exceeding 5,000 gallons per day (TAC §285.3(d)). A 40-50 key resort requires 12,000–15,000 GPD, making advanced wastewater treatment (MBR or equivalent) mandatory for this project scope.

## Viable Scenario Analysis

Scenario	Water Source	Wastewater	CapEx	Annual OpEx	Key Considerations
<b>A: Full Municipal</b>	City connection	City sewer	\$135K–\$165K	<b>\$98K–\$119K</b>	Most reliable; high OpEx; annexation risk
<b>B: Well + MBR</b>	Private well	Membrane bioreactor	\$425K–\$525K	\$68K–\$88K	<b>RECOMMENDED</b> – High capacity, water reuse, operator required
<b>C: Hybrid</b>	Municipal water	Private MBR	\$340K–\$420K	\$62K–\$78K	Reliable water supply, wastewater independence, dual permitting

**Municipal OpEx Calculation (Scenario A):** City of Fredericksburg 2024 rates: Water \$8.50/1,000 gal + Sewer \$9.75/1,000 gal = \$18.25/1,000 gal combined. At 15,000 GPD × 365 days = 5.475M gal/yr × \$18.25 = **~\$100K/yr**.  
Municipal tap fees updated 2024: \$92,000 (not \$85,000).

## Comparative Cost Analysis

### Scenario A: Full Municipal

CapEx

\$150K

Annual OpEx

\$108K

Scenario B: Well + MBR (RECOMMENDED)



Scenario C: Hybrid (Municipal Water + MBR)



Recommendation

For **Site B**, HSG recommends **Scenario B (Private Well + MBR)**. The existing well infrastructure reduces upfront drilling costs and de-risks aquifer yield uncertainty. A properly designed MBR system provides sufficient capacity for 40-50 keys plus restaurant and spa operations, delivers tertiary-level effluent suitable for landscape irrigation reuse, and avoids municipal annexation exposure and high ongoing utility bills.

**MBR System Requirements:** Requires licensed Class D wastewater operator (\$45K–\$55K/yr salary); membrane replacement every 7-10 years (\$18K–\$25K); backup generator (\$35K–\$50K); 2-3 acres land application area for 15,000 GPD.

# Phased Fee Schedule

HSG proposes a five-phase engagement structure aligned with typical Hill Country resort development timelines. Each phase is independently scoped and can be authorized individually, though clients committing to the full engagement receive a **7.5% discount on Phases 1-4**. Performance bonuses are payable upon successful permit issuance.

Phase	Key Deliverables	Duration	Base Fee	Bonuses
<b>Phase 1</b> Preliminary Feasibility	Site visits, utility assessment, regulatory pathway review, go/no-go recommendation	2–3 weeks	\$24,500	—
<b>Phase 2</b> Site Due Diligence	Phase I ESA, floodplain survey, well test, GCUWCD inquiry, title review	6–8 weeks	\$78,500	—
<b>Phase 3</b> Engineering Coordination	RFP management, geotech oversight, fire flow analysis, cost validation	10–14 weeks	\$82,500	—
<b>Phase 4</b> Permitting & Regulatory	TCEQ TLAP application, GCUWCD permit, TxDOT access, site plan support	10–18 months	\$138,000	+\$35,000*
<b>Phase 5</b> Construction Oversight	Utility contractor oversight, TCEQ inspections, as-built documentation	12–18 months	\$52,500	—

*\*Success bonuses: TCEQ TLAP approval +\$15,000 | GCUWCD water permit +\$10,000 | Site plan approval +\$10,000. Payable upon permit issuance.*

PHASE 1 RETAINER	FULL ENGAGEMENT DISCOUNT	MAXIMUM TOTAL
\$12,250	–\$24,250	\$411,000

### Third-Party Costs (Pass-Through)

In addition to HSG professional fees, clients should budget for third-party engineering, surveying, environmental testing, and permitting fees. These costs are billed on a pass-through basis with no HSG markup:

Category	Low Estimate	High Estimate
Civil engineering design & construction documents	\$70,000	\$95,000
Geotechnical investigation & soil testing	\$38,000	\$55,000
Survey (ALTA) & boundary/topographic mapping	\$32,000	\$45,000
TCEQ / GCUWCD / TxDOT permit fees	\$22,000	\$32,000
Performance bond (TCEQ requires 125% of construction estimate)	\$65,000	\$85,000
Contingency (10–15%)	\$58,000	\$73,000
<b>TOTAL THIRD-PARTY COSTS</b>	<b>\$285,000</b>	<b>\$385,000</b>

**Site B Additional Costs (Not Included Above):**

- TxDOT deceleration lane construction: \$75,000–\$125,000
- FEMA LOMR (if floodplain mitigation required): \$15,000–\$25,000
- Road impact fees (Gillespie County): \$18,000–\$28,000

# Value Proposition

Hill Country development presents unique regulatory and infrastructure challenges that require local expertise, established agency relationships, and realistic timeline expectations. HSG brings **deep experience navigating Gillespie County, GCUWCD, TCEQ, and TxDOT processes**, enabling successful approvals, cost certainty, and reduced development risk for hospitality projects in this jurisdiction.

## Local Regulatory Expertise

HSG maintains active working relationships with GCUWCD board members, TCEQ Waco regional staff, and Gillespie County development officials. Our team has successfully secured well permits, TLAP authorizations, and wastewater discharge approvals for comparable Hill Country hospitality projects.

## Realistic Timeline Forecasting

Many developers underestimate Hill Country permitting durations. HSG's phased approach builds in realistic timelines (10–18 months for Phase 4 permitting) based on actual TCEQ Waco office performance data (average TLAP approval: 13 months).

## Infrastructure Cost Validation

Utility infrastructure represents 15–25% of total development costs for Hill Country resort projects. HSG's scenario modeling provides granular CapEx and OpEx estimates based on recent comparable projects, eliminating budget surprises during design development.

## Risk Mitigation & Contingency Planning

Phase 2 due diligence identifies site-specific constraints (floodplain, well capacity, TxDOT requirements) before significant capital commitment. Early identification enables mitigation while options remain flexible and cost-effective.

# Regulatory Pathway Overview

The typical regulatory pathway for a Hill Country resort with private well and MBR wastewater treatment follows a sequential process beginning with **site selection and preliminary feasibility assessment**. Once a candidate property is identified, **comprehensive due diligence** (survey, geotechnical, environmental, aquifer testing, floodplain determination) validates site suitability.

With due diligence complete, the project enters the **GCUWCD well permit application phase** (4–8 weeks), requiring hydrogeological assessment, production capacity testing, and conservation plan submittal. Note: GCUWCD limits commercial withdrawal to **25 acre-feet/year**; a 40-50 key resort uses ~16.8 acre-feet/year, which is within limits but restricts future expansion.

Concurrent with GCUWCD review, the **TCEQ TLAP application** is prepared for wastewater system authorization (10–18 months), incorporating engineering designs, environmental impact analysis, and 30-day public notice protocols. TxDOT access permit application for Highway 290 runs in parallel (6–9 months).

Upon permit issuance, **construction can commence** under HSG oversight to ensure compliance with permit conditions and final inspection requirements for certificate of occupancy.

**Drought Contingency:** Gillespie County has Stage 3 drought restrictions (2024). Well-dependent properties face 25% reduction mandates during drought conditions. HSG recommends 45–60 day water storage capacity (~700,000 gallons) as part of infrastructure planning.



# Next Steps & Acceptance

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## Engagement Activation

To initiate this engagement, we request authorization to proceed with **Phase 1: Preliminary Feasibility**, which will deliver a comprehensive site assessment, utility infrastructure analysis, regulatory pathway review, and go/no-go recommendation within 2–3 weeks. The Phase 1 retainer of **\$12,250** (50% of Phase 1 fee) is due upon execution of this proposal.

Subsequent phases will be activated individually upon client approval and completion of preceding milestones. Clients authorizing Phases 1–4 at contract execution will receive the **7.5% discount (\$24,250 savings)**.

## Phase Deliverables Summary

- **Phase 1:** Preliminary Feasibility Report with site scoring, utility scenario modeling, regulatory timeline forecast, and CapEx estimates
- **Phase 2:** Due Diligence Package including survey, geotechnical report, Phase I ESA, floodplain determination, well test results, and title review
- **Phase 3:** Engineering Coordination Summary with consultant contracts, preliminary infrastructure designs, and refined cost estimates
- **Phase 4:** Permit Approval Package including GCUWCD well permit, TCEQ TLAP authorization, TxDOT access permit, and county approvals
- **Phase 5:** Construction Closeout Documentation including as-built drawings, final inspections, and certificate of occupancy

## Terms & Conditions

This proposal is valid through **June 30, 2026**. Fees are based on current agency requirements and standard review timelines; material changes in regulatory frameworks or unanticipated site conditions may require scope adjustments subject to client approval. Third-party cost estimates will be refined during Phase 2 due diligence.

Payment terms are net 15 days from invoice date. Phase retainers are due upon phase authorization; remaining phase fees are billed monthly based on percentage completion. Third-party costs are billed on a pass-through basis upon receipt of vendor invoices. Late payments subject to 1.5% monthly interest.

Proposal Acceptance

By signing below, Client authorizes Houston Strategy Group to proceed with **Phase 1: Preliminary Feasibility** and agrees to the terms, fees, and deliverables specified herein.

Client Authorized Signature

Print Name:

Title:

Date:

Houston Strategy Group

Print Name:

Title:

Date:

Contact Information

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