

April 11, 2019

Honorable Mayor and City Council Members
Galveston, Texas

Dear Honorable Mayor and Members of Council,

Subject: Consider for approval, authorizing the City Manager to execute an Eleventh Amendment of the Lease between Galveston Island Waterpark, L.P. and the City of Galveston adding 43,216 sq. ft. of land located at 7902 Mustang Avenue.

I. Background in Chronological Order:

- A. On June 4, 2004, the City and Galveston Island Waterpark entered into a written ground lease (“Original Lease”) for the original tract (“Demised Premises”) initially described as approximately 26.4006 acres. The Original Lease has been amended on ten prior occasions, with each such amendment stating the initial rent for the tract added by such amendment that is in all other respects to be governed by the terms of the Original Lease (the Original Lease, along with any and all amendments thereof being the “Lease”). The Eighth Amendment added one additional five (5) year option to secure financing for improvements. The Ninth Amendment added approximately 6.3 acres of land formerly known as the Racquet Club Lease. The Tenth Amendment added approximately 0.1317 acres of land formerly leased by Moody Gardens, Inc.
- B. Under Section 12(B) of the Original Lease, Galveston Island Waterpark was given the option at its sole and absolute discretion to lease up to seven additional tracts described in Exhibit D attached to the Original Lease (the “Additional Property”), which property is owned by the City, leased to Clarke, Jack Investments, and located adjacent to or in the vicinity of the Demised Premises, but only after the third party leases(s) thereon expired or were terminated. If that option were exercised, the terms under which the Additional Property would be leased were specifically set out in Section 12(B) of the Original Lease.
- C. Clarke, Jack Investments lease expired and vacated the property on or before September, 30 2013. Since this property was listed in the Additional Property, Galveston Island Waterpark, began using the property on October 1, 2013 and paying the then current annual lease rate of \$14,737.08 for the use of this property.



II. Current Situation:

- A. This property was never added to the original Galveston Island Waterpark Lease Agreement by an Amendment.
- B. Galveston Island Waterpark desires to formally exercise its option with respect to this Additional Property as described as the 43,216 square foot tract identified as “Clark, Jack Investments” for the now current annual least rate of \$16,738.68.

III. Issues in Order of Importance:

- A. Amending the current Lease between Galveston Island Waterpark, L.P. and the City of Galveston is needed so all property being used is reflected in the Lease Agreement.

IV. Alternatives:

- A. City Council authorizes the City Manager to execute an Eleventh Amendment of the Lease between Galveston Island Waterpark, L.P. and the City of Galveston to include 43,216 sq. ft. of property located at 7902 Mustang Avenue.
- B. City Council does not approve the Eleventh Amendment.

V. Recommendation:

Staff recommends authorizing the City Manager to execute the Eleventh Amendment of the Lease between Galveston Island Waterpark, L.P. and the City of Galveston adding 43,216 sq. ft. of land located at 7902 Mustang Avenue, upon final approval by the City Attorney.

Respectfully submitted,

Mike Shahan
Airport Director

