



AGENDA MEMORANDUM

First Reading Item for the City Council Meeting of August 31, 2021
Second Reading Item for the City Council Meeting of September 7, 2021

DATE: August 31, 2021
TO: Peter Zanoni, City Manager
FROM: Jeff Edmonds, P.E., Director of Engineering Services
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Commercial Land Lease Agreement with Blue Marlin Holdings, LLC

CAPTION:

Ordinance authorizing the execution of a Commercial Land Lease Agreement with Blue Marlin Holdings, LLC for two tracts of City owned land totaling 1.268-acres for use as a recreational vehicle park called Puerto del Sol RV Park, located at the northern end of North Beach in Council District 1, for a monthly fee in an amount of \$1,225.00 for a five-year term from October 1, 2021 to September 30, 2026.

SUMMARY:

This ordinance authorizes a commercial land lease between the City and Blue Marlin Holdings, LLC from October 1, 2021 to September 30, 2026. The monthly rental fee is \$1,225.00. Approval of lease agreements of City land for more than twelve months require City Council approval.

BACKGROUND AND FINDINGS:

In September 1970, the City of Corpus Christi entered into a five-year lease agreement with Edward E. Hogan for two tracts of City owned land containing a total of 1.268 acres as shown on the attached City Council Exhibit. Tract 1 consisted of 1.068 acres of abandoned railroad right-of-way which later became Timon Boulevard. Tract 2 consisted of 0.20 acres of Lot 7, Block 414, Brooklyn Addition. Both tracts were vacant and not utilized by the City at the time. The properties were not assigned to a City department and were considered unused City right-of-way. Mr. Hogan simultaneously entered into another lease with Guaranty National Bank and Trust for 2.055 acres adjacent to both City tracts. The 2.055 acres and the City's 1.068 acres were combined and developed into what was known as the Fiesta del Sol RV Park at North Beach.

The City's lease with Mr. Hogan, which was renewable by mutual agreement of the parties, continued at a monthly rental fee of \$85.00. On September 16, 1986, the City Council approved a new lease agreement with Fiesta del Sol, Inc. for the same two tracts. The lease was for a four-year term at the monthly rental fee of \$400.00. The lease expired on September 15, 1990. At that time, Mr. Hogan sold his interest in the park to Mr. Ernest C. Sims. Mr. Sims continued his lease with the City on a month-to-month basis at the rental rate of \$450.00 based on the terms and conditions of the lease with Mr. Hogan.

The 2.055-acre property, which comprises the main area of the RV park, was purchased by BBC Capital, Ltd. in 2006. The RV Park continued operation under the lease with Mr. Sims at the monthly rate of \$450.00. In 2010, BBC took over the operation of the RV park as Puerto del Sol RV Park and requested that the City enter into a new lease agreement with them for 20 years comprised of four consecutive five-year terms.

On January 11, 2011, City Council approved Ordinance No. 028914 allowing the City and BBC to enter into the initial five-year lease agreement. As per the lease, each renewal of a new five-year term would require City Council approval. City staff negotiated a monthly fee of \$550.00 for the first five years based on the land value of the City's 1.268 acres at \$110,000.00 in 2011.

On December 15, 2015, City Council tabled the Commercial Land Lease Renewal Agreement (2016 to 2020) to have the lease rate studied. Rate studies were conducted but were inconclusive due to lack of comparable sales and lease data in the North Beach area. Subsequently, the lease rate has remained the same and the term has been month-to-month.

In July 2021, a representative of BBC contacted respective City staff notifying them that they were considering selling the RV park along with the leasing rights to the two City tracts to Blue Marlin Holdings, LLC.

On July 1, 2021, an appraisal was conducted to determine a fee-simple market value and a lease market value. The "as is" market value annual ground lease appraisal for Tract 1 (1.068 acre) is \$67,457.00 (\$5,621.00 per month) and for Tract 2 (0.20 acre) is \$3,920.00 (\$326.00 per month) for a total combined value of \$71,377.00 (\$5,948.00 per month). An agreement using these values could not be reached. City staff re-evaluated the lease value and applied adjustments to the appraisal value based on flooding, highest and best-use, and size, shape, and location.

On August 26, 2021, BBC Capital Ltd. finalized sale of the property to Blue Marlin Holdings, LLC. Therefore, the City is entering into a commercial land agreement with the new property owner. A proposed monthly lease rate of \$1,225.00 has been agreed upon by Blue Marlin Holdings, LLC. and the City. The lease would earn \$14,700.00 in FY 2022 compared to \$6,600.00 in FY 2021.

ALTERNATIVES:

The City could opt to terminate the current month-to-month agreement which will cause Blue Marlin to terminate activities at the location and the city would have to maintain the area.

FISCAL IMPACT:

There is no fiscal impact in FY 2021. If approved, the fiscal impact in FY 2022 is an annual amount of \$14,700.00 to be appropriated to the General Fund.

FUNDING DETAIL:

Fund:	1020 General Fund
Organization/Activity:	11020 General Government
Mission Element:	888 Revenues
Project # (CIP Only):	n/a
Account:	343400 Property Rentals

RECOMMENDATION:

City staff recommends passage of the Ordinance approving the five-year lease agreement with Blue Marlin Holdings, LLC.

LIST OF SUPPORTING DOCUMENTS:

Location Maps
Ordinance
Appraisal
Lease Agreement