



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting of (10/21/14)
Second Reading Ordinance for the City Council Meeting of (11/18/14)

DATE: October 10, 2014
TO: Ronald L. Olson, City Manager
FROM: Wes Pierson, Assistant City Manager
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Texas State Aquarium Lease Agreement

CAPTION:

Ordinance authorizing the city manager, or his designee, to execute a lease-purchase and operating agreement including option to purchase with Texas state aquarium association ("TSAA") covering lots a-1, a-3, b, c and d, of the Texas state aquarium subdivision, together with leasehold rights for the adjacent parking areas; in consideration of TSAA maintaining the premises and improvements, operating a public aquarium and related facilities, TSAA's payments on debt service on the 1996 \$4.4 million combination tax and revenue certificates of obligation, and TSA's \$45 million dollar expansion of the aquarium facility; providing for severance; and providing for publication.

PURPOSE:

To approve new Texas State Aquarium Lease-Purchase Agreement.

BACKGROUND AND FINDINGS:

The Texas State Aquarium (TSA) has been operated by the Texas State Aquarium Association (TSAA) since 1990. The TSAA leases the land and improvements for the TSA from the City of Corpus Christi. The current lease will expire in 2020. The TSA will soon embark on a \$50 million expansion, the largest in their 24 year history. To enable the TSAA to secure the construction loan that they are seeking to commence construction of the project, a new long term lease is required.

Additionally, because the TSAA has invested more than \$37 million to date, and plans on spending more than \$50 million on their proposed expansion, the TSAA is requesting the option to purchase the aquarium land and improvements from the City. Staff has worked with the TSAA to create a new performance based lease-purchase agreement with mainly the same terms as the existing lease agreement, but with the option to purchase the property based upon performing certain criteria.

The main terms of the lease-purchase agreement include:

- 50 year lease term
- Requirement to operate the facilities as an aquarium
- No financial obligation from the City to the TSAA for the aquarium
- The TSAA may exercise an option to purchase the land and improvements if the following performance criteria are met:
 - o Level of Investment: The TSAA will be required to spend a minimum of \$45 million on the expansion of the aquarium.
 - o Completion of the Expansion Project: The proposed expansion must be completed and open to the public.
 - o Payment of Outstanding Revenue Debt Obligations: The TSAA must complete payment of the outstanding revenue certificates of obligation that the City sold on their behalf (The TSAA has been diligent in meeting this obligation)

In addition to these performance based criteria, the following provisions will be placed in the special warranty deed for the property:

- A "Right of First Refusal" provides the City an option to repurchase the aquarium property (land and improvements) in the future if desired
- A requirement that the TSAA pay the City \$14.5 million in the event that the TSAA were to sell the aquarium property in the future
- A restrictive covenant on the deed will require that the property be operated as an aquarium for 75 years
- A "Reverter Clause" provides that the aquarium property will revert back to the City if the restrictive covenant is violated

ALTERNATIVES:

Do not approve new lease agreement.

OTHER CONSIDERATIONS:

The new Lease-Purchase agreement amends, restates and replaces in its entirety the prior Lease and Operating Agreement between the Texas State Aquarium Association and the City of Corpus Christi dated July 5, 2000.

CONFORMITY TO CITY POLICY:

City Council must approve all lease agreements. Item will be approved by Ordinance after two readings that are 28 (twenty eight) days apart. The lease will become effective 61 (sixty-one) days after the second reading of the ordinance by City Council.

EMERGENCY / NON-EMERGENCY:

Non-emergency

DEPARTMENTAL CLEARANCES:

Legal

FINANCIAL IMPACT:

Operating Revenue Capital x Not applicable

Fiscal Year: 2014-2015	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

Fund(s):

Comments:

RECOMMENDATION:

Approval of the Ordinance as presented.

LIST OF SUPPORTING DOCUMENTS:

- Lease-Purchase and Operating Agreement between Texas State Aquarium and City of Corpus Christi
- Ordinance