

BALINESE ROOM PIER Oceanfront Pad Site

FOR SALE is an oceanfront 27,000 square foot pad site, at the premier location of 21st Street and Seawall Blvd., in Galveston, Texas, with 140' of Seawall frontage.

It is the site of the former Balinese Room Pier, a historic and legendary nightclub, restaurant and gambling casino that was the finest of its type in the Southwest throughout the 1940's and 1950's. Unfortunately, Hurricane Ike in 2008 completely destroyed the historic pier, which had been in existence since the 1920's. It is the only over-beach building site available on the Texas Gulf Coast, to our information and belief. At \$30 psf it is an excellent investment, both now and long-term.

Potential uses include restaurants, night clubs, museum, entertainment arcade, retail, offices, fishing pier, concert venue, etc., or a mixed used development incorporating several concepts.

For sale is a lease with a 50 year term, expiring in 2060. It contains the rights to 140 foot frontage on Seawall Blvd., starting at the intersection with 21st. Street and extending westward. The tract extends 200 feet seaward and contains 27,000 sq. ft. The lease payments are nominal, and there *are no property taxes*. The holding cost, prior to building any improvements is only \$5,400 *per year* (\$.20 psf per year.) For example, assume the buyer built a two story, 54,000 square foot building on the 27,000 square foot footprint. The current "rent" would be \$1.69 psf of improvements *per year*, for a total rent of \$91,260 per year. However, because the land is held by the General Land Office, a governmental entity, *there are no property taxes*. Therefore, assuming the value of the structure is ten million dollars, and assuming an approximate 3% per annum property tax rate, you would save \$300,000 per year in property taxes. Even after subtracting the nominal rent, you would save almost \$190,000 per year over building in a standard location, as it relates to property taxes. As seen by the lease excerpts attached, there is a modest escalation in rent over the length of the term; however, it tops out at \$2.96 PSF per year of building improvements.

The Balinese Room Pier opened as a fabulous nightclub restaurant and casino in 1941, with a fantastic South Seas inspired interior. It was the most opulent, infamous and notorious nightclub and casino in the Southwest. Long before Las Vegas, entertainers like Bob Hope, Jack Benny, Frank Sinatra, George Burns, Gracie Allen, the Three Stooges and other stars of the '40's and '50's were entertaining in the fabulous South Sea Showroom, while oil millionaires gambled in the "secret" casino at the back of the pier. The Margarita was invented by Balinese Room head bartender Santos Cruz at this location in the 1940's. The Texas Rangers conducted an infamous raid, shutting down the Balinese, and all gambling and rackets in Galveston in 1957, and garnering national publicity. Texas Monthly called it the "Texas Nightclub of the Century" in their December 1999 issue. The structure was formerly on the National Register as a historic structure. It reopened for 20 years starting in the early 1960's (owned by Johnny Mitchell, oilman George Mitchell's brother, and minus the casino). The Pier lay vacant until 2001, when the current seller restored the pier, restoring and/or installing four nightclubs or bars, retail, massage, a hair salon, and other amenities. As set out above, the Pier was completely destroyed by Hurricane Ike. Demolition and clean-up are complete.

The lease is held by a sole-asset/no-liability corporation (Arnold Properties, Inc.). Although no explicit language in the lease requires a GLO approval of transfer of all the outstanding shares of stock in Arnold Properties, Inc. to the buyer, GLO approval would be advisable and should be routine. Similarly, the existing lease could be assigned to the buyer, or if necessary or advantageous, the buyer could, after the purchase from the seller, negotiate a new lease with the GLO with slightly different parameters to best suit the buyer's plan.

The General Land Office has been very reasonable to deal with and will work with the buyer on issues important to the buyer, such as potentially extensions of the lease, and perhaps even enlarging of the footprint, some usage changes, multiple story developments past 2060 and similar issues.

Construction will require piers over the beach and the water. Water, gas, electric and sewer connections remain. Governmental entities which have an interest in the project include the Texas General Land Office, the City and County of Galveston, and the Army Corp of Engineers.

Galveston tourism is at an all-time high. As the logical vacation and resort area adjacent to the soon-to-be third largest city in the United States, Galveston is posed for explosive growth in the near future and over the term of this lease. Property values have skyrocketed since Hurricane Ike, both residentially and commercially. The quality of construction, repair and maintenance has increased dramatically throughout the island.

The intersection of Seawall Blvd. at 21st Street is the premier crossroads for a restaurant, retail, nightclub and/or entertainment complex, with its proximity to Stewart Beach, Porretto Beach, Murdoch's Pier (directly adjacent), the Galvez Hotel and the Landry's Corporation holdings (including the Pleasure Pier, Fishtails restaurant, extensive parking and other projects in development.) The affection that Galvestonians and Houstonians have for the Balinese Room is amazing, and the clamor for a re-imagination of the Pier continues.

The seller retains the trademarks and intellectual property to the "Balinese Room", as well as a very extensive digital collection of Balinese Room photographs, historic pictures, portraits, logos, advertisements and other nostalgia. The seller will work closely with the buyer in the event the buyer wishes to retain the Balinese Room image and character for its next reincarnation. Conversely, there is no requirement that the buyer continue the Balinese Room tradition, and another usage or brand is allowed.

Google "Balinese Room" or Balinese Room Galveston" for innumerable photos, stories, links and history.