

SUBJECT: Leasing state-owned facilities

COMMITTEE: Land and Resource Management — committee substitute recommended

VOTE: 8 ayes — Bosse, B. Turner, Crabb, Howard, Jackson, Krusee, Mowery, Staples
0 nays
1 absent — Hamric

WITNESSES: For — None
Against — None
On — Ann Brasley, Comptroller's Office

BACKGROUND : The General Services Commission (GSC) can lease office space under its control to private tenants at fair-market value for commercial, cultural, educational or recreational activities. It cannot lease space to a private tenant for use as a private office, unless the use is incidental to one of the allowable activities, nor can it rent space for one-time or short-term functions.

The total amount of space allocated to private tenants in any state building may not exceed 15 percent of the total space in the building, unless the space provides child care for state employees. Money received from the lease of state facilities can only be used for building and property services performed by the commission.

DIGEST: CSHB 733 would delete the prohibition against leasing state office space for use as a private office and allow the GSC or state agencies that control their buildings to rent facilities, including conference and meeting rooms, on short-term leases of up to seven days. In offering space in state-owned buildings, GSC could not include any contract provision that would diminish the value of lease space in surrounding privately owned businesses. Half of the money received from short-term leases could be used only for building and property services performed by the commission or state

agency. GSC would be immune from civil liability resulting from property damage, personal injury or death arising as a result of the lease of space to a private tenant.

CSHB 733 also would require GSC to establish a pilot program to develop commercial uses for state-owned parking facilities. The program would be exempt from the 15 percent limitation on space allocated to private tenants of state-owned facilities.

Under the pilot program, GSC would contract with a private vendor to lease state-owned parking garages and surface lots located in Austin within an area bounded by West Third, Nueces, West Fourth, and Lavaca streets. Any lease would have to allow for state employees working non-regular hours to retain their parking privileges. Money received from the program would be deposited into the general revenue fund. GSC would report on the program's effectiveness to the Legislature and the Legislative Budget Board before December 1 of each even-numbered year.

CSHB 733 would direct GSC to collect information on the location, size, and type of space available for lease in state-owned buildings it controlled and determine the feasibility of leasing available space to private tenants. GSC would have to include this information in its master facilities plan along with information on the extent to which the state is maximizing the use of existing buildings by leasing space.

The bill would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

**SUPPORTERS
SAY:**

CSHB 733 would help the state make better use of the office buildings and facilities that it owns, thereby increasing revenues. Many conference and meeting rooms in state office buildings are underutilized and could be rented to the private sector for short-term functions. CSHB 733 would allow the state to take advantage of these opportunities and schedule the rental of rooms around other state agency functions.

Private citizens and organizations also would benefit by having access to state facilities for short-term uses. Appropriately sized conference and meeting rooms and auditoriums are in short supply in certain communities.

Allowing groups to rent these out for meetings would help Texans all across the state.

CSHB 733 would encourage the state to take advantage of these underused facilities through business transactions that would have very little risk and a potentially big payoff. If successful, the pilot parking program and rental of conference rooms could generate \$573,000 in revenue each year.

If successful, the pilot program could be expanded to include more lots in Austin and other areas of the state, thereby increasing the potential for a positive fiscal impact. In its most recent Texas Performance Review report, *Disturbing the Peace*, the Comptroller's Office recommended implementing pilot program along these lines.

CSHB 733 would help fill the high demand for parking in Austin's downtown entertainment district. It would not unfairly compete with private parking companies because private companies cannot currently fulfill this demand.

OPPONENTS
SAY:

Texans have already paid for state buildings and parking lots, and it would be unfair to charge taxpayers again to use these facilities. Free parking in some state lots in downtown Austin after hours is one fringe benefit of visiting the capital city that should not be taken away. In addition, CSHB 733 could skew the market for parking spaces after hours in downtown Austin by introducing the government as a competitor.

NOTES:

The companion bill, SB 896 by Shapleigh, was reported favorably, as substituted, by the Senate Finance Committee on April 21.