



City of Houston



**Transportation, Technology and
Infrastructure Committee**

**General Services Department
Leases**

September 11, 2014



I. Real Estate Division Introduction

- a. The Real Estate Division assists Client Departments in the acquisition and disposition of surplus properties, and negotiates lease agreements, licenses, operating agreements, and rights of entry.
 - i. The Division deals in commercial type properties versus rights-of-way for streets and utilities, which is handled by the Department of Public Works and Engineering (PWE).
 - ii. The inventory of all City-owned land parcels is kept by PWE.
- b. Staff Expertise includes land development, commercial brokerage, commercial domestic and off-shore asset management, and title administration. Team members hold the following designations and licenses: Texas Real Estate Broker, Commercial Certified Investment Member, Certified Property Manager, and Realtor.



II. Lease Administration

a. Governance

- i. Governed by Administrative Procedure No. 7-3 Revised, effective 10-15-2010.
- ii. Applies to all City leases of City-owned real estate.
- iii. Establishes that the General Services Department shall negotiate leases for City-owned real estate.
- iv. Exceptions: The Convention and Entertainment Department (now Houston First) and the Houston Airport System shall each be responsible for negotiating leases of City-owned real estate under their management and control.

b. Provisions

- i. Leases are to be at Fair Market Rental Value.
- ii. Leases with entities that function to accomplish a public purpose, may provide that a portion of the rental value be payable by the value of public services delivered by the tenant.
- iii. A ground lease shall be on a triple net basis – the tenant paying taxes, liability insurance and maintenance.
- iv. On an improved property lease in a multi-tenant building, the City shall be responsible for insurance on the building as well as maintenance of the building and common areas; the tenant shall be responsible for insurance on its personal property and tenant improvements.



II. Lease Administration (continued)

- v. When separate metering is available, the tenant shall be responsible for the payment of utilities used by the tenant.
- vi. A lease shall provide the City with the right to cancel the lease with prior notice to the tenant. The timeframe and any associated costs for lease changes and/or terminations may be negotiated.



III. Leases where the City is the Tenant

- a. The City has 86 leases where the City is the Tenant. Of these, 16 are HPD storefront leases at \$1.00/year and 34 are antenna leases held by HITS. Please see the next slide for a breakdown of all of these leases.
- b. The largest leases (based on square footage) are at 600 Jefferson (HFD), 1301 Fannin (HITS), 601 Sawyer (HCD), and 7125 Ardmore (DON).
- c. Annual rent for all leases totals \$6,880,557.
- d. Lease terms are negotiated by GSD on behalf of the Client Department.
- e. Outside brokerage firms are solicited on large or specialized leases where the brokerage firm may bring some expertise.

IV. Lease Summary – City as the Tenant

Departments	Leases	Type						
		Antenna	Office	Land for Parks	Parking	Land	Other/Special Use	Storefront
ARA	3	1	1		1			
HCD	1		1					
HITS	31	30					1	
HFD	3	1	1				1	
HHS	8		7			1		
HPD	22	2	2				2	16
HPL	0							
DON	1							
MYR	0							
PARD	10			9			1	
PWE	5		4		1			
SWD	2						2	
Totals	86	34	17	9	2	1	7	16



V. Leases where the City is the Landlord

- a. The City has 110 leases where the City is the Landlord – of these approximately 65% are comprised of Occupancy Agreements and Antenna leases.
- b. The total annual revenue to the City is \$1,250,121.
- c. GSD establishes market rates through its own research and with the help of outside brokers and/or others who have market data for the area in which the City facility is located.
- d. Leases are structured to include operating and maintenance expenses.
- e. See the next slide for a breakdown of these type of leases.

VI. Lease Summary – City as the Landlord

Departments	Leases	Type					
		Antenna	Office	Occupancy Agreements	Parking	Land	Other/Special Use
GSD	11		1		5		5
HFD	21	20					1
HHS	43			35			8
HPD	3	1	1				1
HPL	4	1		3			
MYR	2						2
PARD	14			9			5
PWE	10	2					8
SWD	2				1		1
Totals	110	24	2	47	6	0	31



VII. Occupancy Agreements

- a. The City has 47 occupancy agreements (agreements with duration of one year or less). Most of these are in HHS facilities.
- b. The total annual revenue to the City is \$ 596,107.
- c. In accordance with AP 7-3, the City gives public services credits as value toward the rents.
- d. Rates were brought up to market in 2006. Rates will be adjusted again in 2014. GSD has worked with the brokerage community to determine current values. It has been determined that HHS facilities compare best with retail facilities.
- e. O&M expenses are charged based on record information from GSD's Property Management Division. O&M expenses have been established for each address. O&M charges typically include utilities, security, repair/maintenance, grounds/road maintenance, cleaning/janitorial, and administration.



VIII. Occupancy Agreements in HHS Multi-Service Centers

- a. In 2006, GSD established a market rate of \$21.50 /sf./yr. for public service providers in HHS' MSCs. It was made up of \$12.86 for rent and \$8.64 for O&M.
- b. In 2014, the new rate is expected to be \$26.14 /sf./yr - \$16.00 for rent and \$10.14 for O&M.
- c. The HHS has developed a tier system which establishes a set discount for the type of organization providing services within these Multi-Service Centers. Please see the attached table.
- d. There are more than 130 partnering agencies working in these MSCs.
- e. More than 25 of these agencies are full time agencies occupying space. Approximately 60 agencies either utilize common space, shared/flex space on the grounds of centers.
- f. See attached photographs of some of the city's Multi-Service Centers.

VIII. Occupancy Agreements in HHS Multi-Service Centers (Continued)

Leasing Type	Discount
COH	100%
Tier 1 (Charters) Organizations that have an approved agreement in place to work designated common space to provide approved services and produce outcomes that are aligned with the department priorities.	100%
Tier 2 Organizations that provide activities such as basic needs, literacy and workforce development supporting City of Houston and/or HDHHS services.	100%
Tier 3 Non-profits community and civic organizations providing social services, training and educational activities in partnership with City of Houston and/or HDHHS to meet priorities.	75%
Tier 4 Non-profits that provide children and youth activities/programs such as childcare, after school and Headstart.	48%
Tier 5 Organizations that provided activities beyond City of Houston and/or HDHHS priorities (core services) but addresses a need within the community and juvenile justice services.	20%
Tier 6 Non-City political offices, for-profit organizations and service providers whose operations are not priorities of the City of Houston and/or HDHHS.	No Discount

HHS Denver Harbor Multi-Service Center 6402 Market



HHS Hiram Clark Multi-Service Center 3810 West Fuqua



HHS Southwest Multi-Service Center 6400 High Star



HHS Acres Homes Multi-Service Center 6719 West Montgomery Road

