

Chair
Betty Reinbeck

Commissioners
William D. Darby
Douglas Hartman
Virginia Hermosa
Brant C. Ince
Mike Novak
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Executive Director
Terry Keel

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November 30, 2012

Mr. Ken Levine, Director
Sunset Advisory Commission
P.O. Box 13066
Austin, Texas 78711-3066

RE: Texas Facilities Commission Response to the Sunset Advisory Commission Staff Report
November 2012

Dear Mr. Levine:

Enclosed is the Texas Facilities Commission's Response to the Sunset Commission Staff Report. As requested in your letter of November 16, 2012, TFC has indicated the agency's position on each recommendation including qualifying comments, where necessary.

TFC appreciates the opportunity to submit these comments and recommendations and looks forward to working with the Sunset Commission staff throughout the remainder of the process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Terry Keel". The signature is fluid and cursive, with a large initial "T" and "K".

Terry Keel
Executive Director

Attachments

cc: Chair Betty Reinbeck, Texas Facilities Commission
Commissioner William D. Darby, Texas Facilities Commission
Commissioner Doug Hartman, Texas Facilities Commission
Commissioner Virginia Hermosa, Texas Facilities Commission
Commissioner Brant C. Ince, Texas Facilities Commission
Commissioner Mike Novak, Texas Facilities Commission
Commissioner Alvin Shaw, Texas Facilities Commission
General Counsel Kay Molina, Texas Facilities Commission

RESPONSES TO SUMMARY

Agency Response to Summary

Although the Texas Facilities Commission (“TFC” or “the Commission”) generally agrees with the recommendations in the Sunset Advisory Commission Staff Report (“Staff Report”), TFC disagrees with several of the findings and statements of fact. The following statements in the Summary of the Staff Report are incorrect:

1. *TFC’s growing role in making significant decisions on the use and development of key state assets coincides with the Legislature’s adoption of a new approach for procuring public facilities under the Public Private Facilities and Infrastructure Act (P3 Act) in 2011.*

This statement and TFC’s response are germane to Staff Report Issue 2.

2. *While at the forefront of implementing P3 projects, TFC has put the cart before the horse, stepping into these efforts without adequate guidance, planning, and resources needed to ensure protection of the State’s best interests.*

This statement and TFC’s response are germane to Staff Report Issue 1.

3. *TFC’s decision to use public-private partnerships to develop the Complex is moving forward without sufficient guidelines, expertise, and funding for effective consideration of these multi-faceted agreements.*

This statement and TFC’s response are germane to Staff Report Issue 2.

Response to Statement 1

TFC’s growing role in making significant decisions on the use and development of key state assets coincides with the Legislature’s adoption of a new approach for procuring public facilities under the Public Private Facilities and Infrastructure Act (P3 Act) in 2011.

For nearly 100 years, TFC has had legislative authority to plan, design, build, operate, maintain and manage or to contract for such services for certain real property assets of the State, including such assets in the Capitol Complex. TFC’s current authority gives TFC authorization to lease public grounds for commercial purposes. See TEX. GOV’T CODE chs. 2165, 2166, 2167. To this end, TFC has engaged in or completed numerous design-bid-build projects. The P3 Act provides an alternative procurement method for public private partnerships that may be used to develop or operate qualifying projects through performance based contracts. The P3 Act authorized other forms of public private partnerships to include private funding and set out a structured methodology for public private procurement. See TEX. GOV’T CODE ch. 2267.

Response to Statement 2

While at the forefront of implementing P3 projects, TFC has put the cart before the horse, stepping into these efforts without adequate guidance, planning, and resources needed to ensure protection of the State's best interests.

TFC has not “put the cart before the horse.” TFC has neither solicited nor implemented a P3 project pursuant to the P3 Act.

Prior to receipt of unsolicited proposals from private entities, TFC staff embarked on a collaborative, coordinated, systematic and transparent planning process which included detailed presentations and discussions with state leadership, local government officials and staff, other state agencies, and various professional trade associations. Additionally, TFC conducted numerous industry soundings with various technical and professional advisors with relevant experience with public-private partnerships and real estate development. (*See Attachment 1 for summary of discussions with leadership and presentations attended by more than 1,000 stakeholders.*)

TFC's strategic facility planning process is comprised of five broad phases including: (1) data collection and understanding; (2) conceptualization; (3) analysis; (4) planning and testing; and (5) implementation. TFC is initiating the third phase which includes site specific development feasibility analyses to provide a frame of reference and baseline information. The analyses include: legal and regulatory analyses, market and competitive analyses, location and site analyses, and financial analyses that as part of the Capitol Area Development Study (“Study”) will culminate in a *Development Feasibility and Residual Land Valuation Report*. These analyses will be conducted with assistance of an interdisciplinary team of professional service providers. The analyses and Study must be completed objectively without bias or influence from interest groups. They will be based on fact, form and best practice. TFC is currently soliciting the technical and advisory resources which are necessary to ensure protection of the State's best interests and support requests to the legislature for authority to reallocate existing appropriations.

The results of development feasibility analyses will guide future planning efforts and evaluation of proposals. Preparation of site development plans will occur as a subsequent step and will be negotiated with the private entity that is awarded the development rights. It is not the State's role to be a developer. However it is the State's role to protect the public's interest, make policy and public investments to attract private development, and provide the environment in which development can occur without stifling creativity or precluding future outcomes that will evolve as the market changes.

If and when site development plans are prepared for the tracts that are the subject of the Study, TFC has intended and will make the draft plans available for state leadership, stakeholder, and public review and comment before the Commission takes action to approve a plan as required by the P3 Act.

Beginning in late 2009, TFC staff began preparing a comprehensive asset management and development strategy which culminated in the adoption of the 2011 Facilities Master Plan Report (“FMPR”) by the Commission. The FMPR lays out TFC's planning and implementation process comprised of progressive steps, each subject to leadership approval.

See FMPR pp. 25 - 27. It is important to note that the FMPR is not “The Plan” or a “Master Plan” for site specific developments of the State’s real property. The FMPR is a statutorily required report to apprise state leadership of the agencies’ current and projected space requirements including recommendations of salient cost-effective initiatives and strategies to meet those needs.

Response to Statement 3

TFC’s decision to use public-private partnerships to develop the Complex is moving forward without sufficient guidelines, expertise, and funding for effective consideration of these multi-faceted agreements.

TFC’s P3 Guidelines enhance the statutory requirements of the P3 Act. See TFC P3 Guidelines Section V, p. 10 (Proposal Preparation and Submission); Section VI, p. 20 (Proposal Evaluation and Selection Criteria).

Regarding the issue of expertise and funding for effective consideration, Texas Government Code Section 2267.053(d) of the P3 Act states that “[t]he responsible governmental entity may charge a reasonable fee to cover the costs of processing, reviewing, and evaluating the proposal, including reasonable legal fees and fees for financial, technical, and other necessary advisors or consultants.” However, enactment of the P3 Act did not provide TFC with an appropriation or appropriation authority to retain revenue or fees from P3 projects to hire additional staff or to pay fees for professional advisors or consultants. In essence, TFC received the cart without the horse.

In August of 2011, TFC identified this disparity and provided an interim solution in the P3 Guidelines adopted September 1, 2011, by requiring that the costs for these services are paid by the private entity that submits a proposal. See TFC P3 Guidelines Section II E, p. 8 (Proposal Review Fees); Section VII, p. 23 (Interim and Comprehensive Agreements). In addition to the lack of appropriation authority, it should be noted the funds to pay the costs for professional advisors or consultants are not received in advance but are received during the evaluation process. TFC’s interim solution is not a practical long-term solution as it prohibits TFC from implementing an orderly planning process and will require legislative action to correct the disparity.

RESPONSES TO ISSUE 1

Overall Agency Response to Issue 1

The Texas Facilities Commission (“TFC” or “Commission”) generally agrees with the recommendations in the Sunset Advisory Commission Staff Report (“Staff Report”). TFC disagrees with several of the findings and statements of fact. The Staff Report acknowledges that TFC’s planning efforts to date are within the agency’s authority. The Staff Report, however, concludes without specification as follows:

(1) *Although TFC has informed stakeholders about its plans to develop the Capitol Complex, it has not effectively engaged them in the development process;*

(2) *TFC’s planning efforts have not been open and do not ensure adequate public input in the decision making process; and*

(3) *TFC has not regularly updated its Commission on specific Capitol Complex planning efforts.*

Those conclusions in the Staff Report are inaccurate.¹

In the last three years, TFC has provided numerous briefings and updates to key stakeholders, including state leadership, legislative committees, state agencies, local government officials, civic groups, citizens, and the media. TFC staff has met individually with more than 100 state legislators, executive staff of multiple state agencies, city council members and staff, and neighboring property owners.²

TFC staff has regularly updated the Commission on the agency’s specific Capitol Complex planning efforts, as reflected in official minutes of the Commission’s meetings of April 21, 2010, August 18, 2010, November 17, 2010, and January 19, 2011. The 2011 Facilities Master Plan Report (“FMPR”) was made available for public review and comment and public comments were received on the FMPR at the November 17, 2010 meeting, with action on the FMPR postponed until the January 19, 2011 meeting.³

Additionally, since 2010, TFC staff has presented the “Briefing on State Facilities” and massing study in numerous public events in Austin attended by over 1,000 attendees. The

¹ See Attachment 1 for a summary of discussions with state leadership and presentations attended by stakeholders.

² TFC presented the “Briefing on State Facilities” and massing study at numerous public events with greater than 1,000 attendees comprised of the general public and members of professional trade associations. The Capitol Area Development Study and TFC’s P3 Program has also been the subject of more than 20 local and national newspaper articles, news reports on local TV, and various industry publications.

³ TFC operates in accordance with the Open Meetings Act. In November 2010, TFC posted for “*Consideration and possible action to approve the Facilities Master Plan*” and received public testimony. Two months later in January 2011 TFC again posted the item and adopted the FMPR. At every Commission meeting there is an opportunity for public input.

Commission is also very mindful that, while the planning and development of the Capitol Complex and other state-owned properties in the Austin area are of primary interest to local residents, these properties are held in trust on behalf of, and for the benefit of, all citizens of Texas who are also stakeholders in this process.⁴ TFC's current stewardship of the properties, including those within the Capitol Complex, is predicated upon a policy of compliance with present-day and historic legislative direction.

TFC's master plans from 1992 to 2004 provided a vision consistent with the 1956 Capitol Master Plan that primarily focused on building new offices and renovating existing facilities within the Capitol Complex to accommodate space needs of state agencies. The Staff Report points to a change in 2006 when a staff initiative entitled "Crossroads" explored the possibility of a new master-planned state agency campus in the unincorporated area of Travis County that required the sale of most of the state-owned properties in the Capitol Complex and Hobby Complex. TFC's current Commission and administration agree that the "Crossroads" vision, had it been acted upon by the Commission, would have represented a policy departure from the agency's historic and current planning.

However, since January 2010, TFC has directed planning consistent with historic and recent legislative directives, including the legislatively adopted 1956 Capitol Master Plan and all other legislative directives, through and including House Bill 265 by Hilderbran. H.B.265, 82nd Leg., R.S., ch. 224, 2011 Tex. Gen. Laws 802. TFC has taken the additional steps of conducting frequent briefings and updates for statewide and legislative leadership, other state agencies, local governments, and a broad variety of individual stakeholders and civic groups, as stated above.

The Staff Report also acknowledges that repeated communications have taken place between the Commission and the General Land Office.⁵ Communication alone, regardless of how effective or extensive, may not be sufficient to reconcile inconsistent discretionary views between state agencies with different statutory mandates. The Staff Report recommendations under Issue 1 provide the appropriate legislative remedy necessary to address such issues.

Recommendation 1.1

Require TFC to develop and formally adopt a Capitol Complex Master Plan to guide decision making on the Complex's future development.

Agency Response to 1.1

⁴ Regarding the statement that TFC's planning efforts do not ensure adequate public input in the decision making process, the FMPR lays out TFC's collaborative, coordinated, systematic and transparent planning and implementation process comprised of progressive steps, each subject to leadership approval. See FMPR pp. 25 – 27 (2011). A copy of the 2011 FMPR has been posted on the Commission's website since it was adopted in January 2011.

⁵A copy of the 2011 FMPR was provided to the General Land Office when it was published. Since February 2011, TFC provided numerous written communications to the General Land Office, as well as to state leadership, in opposition to the recommended transactions for the sale of state-owned properties in the City of Austin. These written communications are documented by correspondence provided in Attachment 2. Additionally, in the year leading up to General Land Office's decision to auction Parking Lot 19 and the Old Service Station properties, TFC met with the General Land Office to discuss TFC's opposition to those recommendations in the General Land Office Report and reiterated TFC's view verbally and in writing in the months prior to the General Land Office auctions.

TFC agrees with this recommendation. However, the scope of this recommendation should be expanded to provide a strategic facility plan that includes all state-owned assets and leased facilities and should include the requirement for routine updates.

Recommendation 1.2

Require TFC to develop and adopt, in rule, a comprehensive planning process that guides and ensures more meaningful public and stakeholder input for its planning and development responsibilities.

Agency Response to 1.2

TFC disagrees with this recommendation. Existing laws require public hearings providing multiple opportunities for public and stakeholder input. These opportunities are ensured by existing open meeting and public information statutes, hearings held by the Partnership Advisory Commission, hearings held by TFC identified in the P3 evaluation process, (See Attachment 3, the TFC P3 Evaluation Timeline), and any hearings held by affected jurisdictions that review and comment on proposals as required by the Public Private Facilities and Infrastructure Act (P3 Act). See [TEX. GOV'T CODE §2267.055](#).

Recommendation 1.3

Require TFC to submit the Capitol Complex Master Plan to the State Preservation Board for review, comment, and possible action.

Agency Response to 1.3

TFC agrees with this recommendation to formally involve the State Preservation Board (the “Board”) in the Capitol Complex planning and development process through review and comment on the draft Capitol Complex Master Plan, with a public vote of the Board required in order for the Board to disapprove the Plan.

Recommendation 1.4

Require the State Preservation Board's long-range plan to conform to the Capitol Complex Master Plan.

Agency Response to 1.4

TFC agrees with this recommendation which will allow the Board to continue to focus its long-range plans on the Capitol Building and grounds while ensuring any future planning or recommendations of the Board do not conflict with the Capitol Complex Master Plan.

Recommendation 1.5

Require TFC to submit the Capitol Complex Master Plan to the General Land Office for review and comment.

Agency Response to 1.5

TFC agrees with this recommendation.

Recommendation 1.6

Require the General Land Office to conform any recommendations on property within the Capitol Complex to the Capitol Complex Master Plan.

Agency Response to 1.6

TFC agrees with this recommendation.

Recommendation 1.7

Direct TFC staff to present information to the Commission at least 30 days before the Commission votes on an item related to Austin area development.

Agency Response to 1.7

TFC agrees with this recommendation which is consistent with the process currently in place under the P3 Guidelines already adopted by the Commission.

Attachment 1

At the April 2010 Commission Meeting, the "Briefing on State Facilities" was presented to the Commission and general public in attendance. From that meeting to present day, TFC staff has presented the same briefing and provided subsequent updates to legislative leadership, local governments, other state agencies, and other stakeholders as listed below. This is not an all-inclusive list of meetings or presentations.

Office of the Governor (April 2010)

Kathy Walt

Ray Sullivan

Ed Robertson

Phillip Rocha, Governor's Office Economic Development and Tourism

Office of the Lt. Governor (April 2010)

Don Green

Blaine Brunson

Julia Rathgeber

Office of the Speaker of the House (April and August 2010)

Jesse Ancira

Craig Chick

Dan Madru

Legislative members and staff of the Travis County Delegation (August 2010)

Texas Department of Public Safety (August 2010 – security issues)

Joe Ortiz

Blake Sawyer, Texas Department of Public Safety

Legislative briefings and presentations (2012 – individually with members and/or staff as well as presentations in public meetings)

Partnership Advisory Commission

House Committee on State Affairs

Senate Committee on Economic Development

General Land Office (November 2011)

Hal Croft

Robert Siddal

Larry Laine

State Preservation Board (early 2011)

John Sneed

Chris Currens

Health and Human Services Commissioner Tom Suehs (July 2010)

University of Texas (August 2010)

Dr. Pat Clubb

Texas Department of Transportation (2012)

Phil Wilson, Executive Director

John Barton, Deputy Executive Director

Texas State Cemetery Committee (early 2011)

Adjutant General's Department (late 2011)

Teachers Retirement System of Texas (2010)

Employee Retirement System of Texas (2010)

UTIMCO (March 2011)

Attachment 1

Local government officials and staff and other Austin-area stakeholders

City of Austin (May 2010 to present)

Lee Leffingwell, Mayor
Sheryl Cole, Mayor Pro Tem
Chris Riley, Council Member
Bill Spellman, Council Member
Randy Shade, Council Member
Mike Martinez, Council Member
Sue Edwards, Assistant City Manager
Robert Goode, Assistant City Manager
Jim Robertson, Manager Neighborhood Planning and Zoning
George Adams, Assistant Director, Planning and Development Review Department
Fred Evins, Economic Growth and Redevelopment Services
Kevin Johns, Director Economic Growth and Redevelopment Services
Robert Spillar, Director Austin Transportation Department
Rodney Gonzalez, Deputy Director Economic Growth and Redevelopment Services

Travis County (August 2010)

Belinda Powell
Leslie Strickland

Capital Metropolitan Transportation Authority (November 2010)

Linda Watson, Executive Director
Todd Hemmingson

Downtown Austin Alliance (ongoing since summer 2010)

TFC Executive Director Terry Keel serves on board; proxy attends meetings regularly

The Waller Creek Conservancy (May 2010)

Tom Meredith
Melanie Barnes

Real Estate Council of Austin (October 2010)

10-member Task Force

Seton Family of Hospitals (May 2010)

Greg Hartman, President and CEO

Congress for New Urbanism (October 2012)

Sinclair Black
Katherine Gregor
Laura Touts

Bull Creek Neighborhood Coalition (represents 8 groups)

John Eastman, President, and 2 others received 2-hour briefing at TFC offices

Public Presentations

Downtown Austin Alliance – Issues and Eggs Forum on June 3, 2010 approx. 150 attendees
Society for Marketing Professional Services – Capitalizing on the Capitol Complex Forum on June 14, 2011 approx. 150 attendees
Urban Land Institute – Moderated Speaking Forum North Capitol Complex Breakfast on June 22, 2011 approx. 220 attendees
Real Estate Council of Austin – Luncheon on June 6, 2012 approx. 250 attendees
8th Biennial Pre-Session Legislative Conference October 16th approx. 200 attendees
Central Texas Commercial Association of Realtors – October 30, 2012 approx. 100 attendees
Austin City Council Hearing November 8, 2012 approx. 40 attendees
Stakeholder Public Meeting November 29, 2012

Attachment 1

Media Coverage

Austin American-Statesman, May 8, 2010 [New vision for Capitol complex: More room for state workers, private development on state land](#)

KXAN Evening News, June 1 2010 [State eyes Capitol area for private use](#)

The New York Times, December 23, 2010 [Proposal to Expand State's Office Space Runs Against National Tide](#)

The Texas Tribune, December 27, 2010 [State Might Build to Save Money Spent Leasing](#)

Austin American-Statesman, October 2011 [State set to accept proposals for public-private partnerships for an array of government facilities](#)

Community Impact Newspaper, February 29, 2012 [State re-envision capacity, design of Capitol complex](#)

Austin Chronicle, May 21, 2010 [A Capitol Idea? The Capitol Complex Meets the Downtown Austin Plan](#)

Austin American Statesman, May 27 2012, [Planetarium proposal calls for \\$240 million, 47-story tower near Capitol](#)

National Public Radio, KUT 90.5 June, 6 2012 [Commission Proposes Downtown Changes](#)

Austin American Statesman, June 14, 2012 [State weighs \\$500 million in proposals for Capitol complex development](#)

Austin Business Journal, June 15 2012, [Buildings proposed to flank Capitol](#)

Texas Government Insider, June 15, 2012, Texas: 'Dirt rich...cash strapped'

The Honorable Rick Perry
February 3, 2011
Page Two

To meet these challenges and more effectively address its statutory responsibilities, TFC has initiated a comprehensive asset management and development strategy. The primary goals of this strategy are to maximize the use of existing resources, improve operational efficiencies, achieve cost savings, and create opportunities for the State to generate significant revenue from non-tax sources. The first phase of this strategy is currently underway and will enable TFC to assess the feasibility and cost-effectiveness of: 1) constructing new state-owned office buildings on underutilized properties currently owned by the State; and 2) maximizing the potential value of remaining underutilized assets to generate non-tax revenue for the State from interim uses such as participatory ground leases for market-driven private development. Further details of this strategy are contained in the *Facilities Master Plan Report* adopted by the Commission on January 19, 2011 and available electronically at <http://www.tfc.state.tx.us/divisions/facilities/prog/planning/>.

TFC appreciates the opportunity to submit this response to your office and looks forward to assisting in all related endeavors in service to the State of Texas.

Sincerely,



Terry Keel
Executive Director

TK:sd

cc: The Honorable Jerry Patterson, Commissioner
General Land Office

Chair and Commissioners
Texas Facilities Commission

Chair
Betty Reinbeck

Commissioners
Malcolm E. Beckendorf
William D. Darby
Douglas Hartman
Virginia Hermosa
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Executive Director
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Austin, TX 78711-3047

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March 10, 2011

The Honorable Steve Ogden
State Capitol, Room GE.4
Austin, Texas 78701

Re: Texas Facilities Commission initiatives to evaluate utilization of state-owned facilities and determine maximum cost-benefit to the State by redevelopment or disposition

Dear Senator Ogden:

In response to your questions during our March 3rd budget hearing in Senate Finance, I am pleased to provide the following information concerning the responsibility and efforts of the Texas Facilities Commission (TFC or the commission) to evaluate and recommend the most cost-effective utilization and/or disposition of state facilities under the agency's jurisdiction.

Through statute, the Legislature has directed TFC to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Generally, this legislative directive has not been effectively implemented over the last several decades and, consequently, the state-held portfolio of leased office space has ballooned in volume and in cost. In fact, the Texas Comptroller has determined that the cost of leasing is the fifth highest annual cost in the state budget after salaries and wages, benefits, professional fees, and repairs and maintenance.

TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities in the Austin area over the last twenty years. Furthermore, over 70% of TFC's commercial lease portfolio for office space in this area will expire by the end of Fiscal Year 2015 and it would be in the State's fiscal interest to relocate many of those employees into state-owned space. TFC-managed renovations of the Stephen F. Austin Building and the William B. Travis Building in the Capitol Complex will result in the recapture of nearly 70,000 square feet of space, accommodate the relocation of state agencies currently occupying leased space, and eliminate an estimated \$1.6 million in lease costs per year. If additional state-owned facilities were available today, over 2 million square feet of additional leased space could be readily absorbed, eliminating annual lease costs in excess of \$28 million. However, state-owned office facilities are currently at maximum occupancy.

At the same time, a number of TFC-controlled state-owned properties located in the Austin area, and particularly within the statutory boundaries of the Capitol Complex, have been and are currently underutilized. These properties were purchased at legislative direction over the last 50 years to meet then-existing needs and also to serve as placeholders for future space requirements of state government.

The Honorable Steve Ogden
 March 10, 2011
 Page Two

While TFC has identified a number of properties on the commission's inventory as being currently underutilized, the Commission does not believe selling them will result in the maximum financial benefit to the State. As illustrated by the net effect of the transaction described below, the sale of state-owned assets in the Austin area in recent decades has resulted in nominal short-term financial gain but overall long-term loss to the State in comparison with greater potential value that could have been achieved had the assets been held and more effectively utilized.

In 2005, TFC sold the Starr Building to the General Land Office (GLO) for \$3,891,956 (net cash to seller) and in 2009, GLO sold the building to a private third-party for \$7,700,000. TFC recommended against the outright sale of this building based on projections that the one-time net proceeds from the sale would be far less than the ongoing lease payments that would have to be continued as a result of the transaction.

The sale resulted in the need to provide equivalent square footage in state-owned buildings for relocation of 284 Comptroller employees who had been housed in the Starr Building for approximately 25 years. As a consequence, space in state-owned buildings was used to relocate employees from state-owned space instead of relocating employees from lease space which would have resulted in ongoing savings through avoidance of costly lease payments. The figures below illustrate the cumulative lease expenses that could have been avoided by continued ownership of the Starr building.

Sold Date	1/25/2005				
Useable Sq. Ft.	62,449				
	2005	2006	2007	2008	2009
Annual Rent Rate	\$ 14.29	\$ 14.29	\$ 15.40	\$ 15.90	\$ 16.28
Annual Rent Cost	\$ 818,030	\$ 892,396	\$ 961,715	\$ 992,783	\$ 1,016,670
Cumulative Expenditures		\$ 1,710,426	\$ 2,672,141	\$ 3,664,924	\$ 4,681,594
	2010	2011	2012	2013	2014
	16.85	16.85	16.85	16.85	16.85
	\$ 1,052,065	\$ 1,052,065	\$ 1,052,065	\$ 1,052,065	\$ 1,052,065
	\$ 5,733,658	\$ 6,785,723	\$ 7,837,788	\$ 8,889,852	\$ 9,941,917
	2015	2016	2017		
	19.47	20.15	20.84927747		
	\$ 1,215,882	\$ 1,258,212	\$ 1,302,017		
	\$11,157,799	\$12,416,011	\$13,718,028		

\$3,891,956 Net Proceeds (05' Sale) ** No value was given for the building
 \$9,941,917 10 yr Lease Exposure ** Forced to renew
 \$13,718,028 12 yr Lease Exposure ** 2017 is the first opportunity to consolidate and capture existing leases

The Honorable Steve Ogden
March 10, 2011
Page Three

To meet challenges such as these and to more effectively address its statutory responsibilities, TFC has initiated a comprehensive asset management and development strategy. The primary goals of this strategy are to maximize the use of existing resources, improve operational efficiencies, achieve cost savings, and create opportunities for the State to generate significant revenue from non-tax sources. The first phase of this strategy is currently underway and will enable TFC to assess the feasibility and cost-effectiveness of: 1) constructing new state-owned office buildings on underutilized properties currently owned by the State; and 2) maximizing the potential value of remaining underutilized assets to generate non-tax revenue for the State from interim uses such as participatory ground leases for market-driven private development. Further details of this strategy are contained in the *Facilities Master Plan Report* adopted by the Commission on January 19, 2011 and available electronically at <http://www.tfc.state.tx.us/divisions/facilities/prog/planning/>.

The fiscal constraints facing the State at this time are clearly extreme. However, we firmly believe the most prudent course of action is one that balances the need for immediate fiscal relief with the opportunity to maximize ongoing cost savings and long-term revenue generation through effective utilization of irreplaceable state-owned assets. TFC appreciates the opportunity to submit this response to your office and looks forward to assisting in all related endeavors in service to the State of Texas.

Sincerely,



Terry Keel
Executive Director

TK:sd

cc: Chair and Commissioners
Texas Facilities Commission

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June 22, 2011

Ms. Shaun Seale
Team Lead, Inventory & Evaluations
Texas General Land Office
Post Office Box 12873
Austin, Texas 7811-2873

Re: Texas Facilities Commission Real Property Inventory

Dear Ms. Seale;

Pursuant to your June 3, 2011, letter requesting information to assist the Texas General Land Office in its preparation of required real property evaluation reports, the Texas Facilities Commission ("TFC") is providing the following information:

- TFC's State-Owned Inventory. This document provides the facility/site name, address, location, primary activity, and gross and usable square footage statistics of property on TFC's state-owned inventory. (Copy enclosed.)
- TFC's Trust Property Inventory. This document provides the facility/site name, address, location, primary activity, and gross and usable square footage statistics of property on TFC's trust property inventory. (Copy enclosed.)
- TFC's Asset Management and Development Strategies. TFC's Facilities Master Plan Report provides a comprehensive review of TFC's asset management and development strategies. The report is available on TFC's website at <http://www.tfc.state.tx.us/divisions/facilities/prog/planning/>. (Please reference Part 3. Initiatives.)

If you have any questions or need additional information, please contact Steve Huber, Senior Planner, by telephone at (512) 475-2379 or by email at stephen.huber@tfc.state.tx.us.

Sincerely,


Terry Keel
Executive Director,
Texas Facilities Commission

Enclosures (2)

cc: Kay Molina, TFC
Mike Lacy, TFC
Steve Huber, TFC

Texas Facilities Commission

Physical address: 1711 San Jacinto Blvd, Austin, Texas 78701

— ★ Planning and administering facilities in service to the State of Texas ★ —

FY 2011 Texas Facilities Commission Owned Inventory							
Bldg. ID	Facility Name	Address	City	Use / Activity	Gross Sq. Ft.	Usable Sq. Ft.	
Office							
1	BHB	Brown-Healy Building	4900 North Lamar	Austin	Office	259,224	178,328
2	CSB	Central Services Building	1711 San Jacinto	Austin	Office	98,865	76,114
3	CSX	Central Services Annex	311 East 14th St.	Austin	Office	15,070	10,933
4	DARS	DARS Administration Building	4800 North Lamar	Austin	Office	47,447	34,989
5	INS	Insurance Building	1100 San Jacinto	Austin	Office	88,029	65,111
6	INX	Insurance Annex	221 E. 11th St.	Austin	Office	59,757	38,816
7	JER	James E. Rudder Building	1019 Brazos	Austin	Office	77,880	55,707
8	JHR	John H. Reagan Building	105 West 15th Street	Austin	Office	161,811	121,698
9	JHW	John H. Winters Building	701 West 51st Street	Austin	Office	482,584	364,200
10	LBJ	Lyndon B. Johnson Building	111 E. 17th St.	Austin	Office	299,512	220,980
11	P35A	Park 35 Building A	12100 N. IH 35	Austin	Office	198,302	165,720
12	P35B	Park 35 Building B	12124 N. IH 35	Austin	Office	52,113	44,747
13	P35C	Park 35 Building C	12124 N. IH 35	Austin	Office	79,978	73,013
14	P35D	Park 35 Building D	12118 N. IH 35	Austin	Office	54,502	51,005
15	P35E	Park 35 Building E	12118 N. IH 35	Austin	Office	47,428	42,622
16	PDB	Price Daniel, Sr. Building	209 West 14th St.	Austin	Office	138,429	100,271
17	RDM	Robert D. Moreton Building	1100 W. 49th St.	Austin	Office	123,018	91,977
18	REJ	Robert E. Johnson Building	1501 North Congress	Austin	Office	307,091	244,382
19	SCB	Supreme Court Building	201 W. 14th St.	Austin	Office	69,253	50,900
20	SFA	Stephen F. Austin Building	1700 North Congress	Austin	Office	417,658	281,265
21	SHB	Sam Houston Building	201 East 14th St.	Austin	Office	170,967	94,135
22	TCC	Tom C. Clark Building	205 West 14th St.	Austin	Office	101,299	60,077
23	THO	E. O. Thompson Building	920 Colorado	Austin	Office	67,689	39,574
24	TJR	Thomas Jefferson Rusk Building	200 E. 10th St.	Austin	Office	99,971	74,453
25	WBT	William B. Travis Building	1701 North Congress	Austin	Office	466,358	379,982
26	WPC	William P. Clements Building	300 West 15th St.	Austin	Office	473,215	374,308
27	WPH1	William P. Hobby Building Twr. I	333 Guadalupe St.	Austin	Office	229,861	164,152
	WPH2	William P. Hobby Building Twr. II	333 Guadalupe St.	Austin	Office	49,453	33,718
	WPH3	William P. Hobby Building Twr. III	333 Guadalupe St.	Austin	Office	140,058	113,690
27					TOTAL OFFICE	4,868,820	3,644,883
Warehouse/Storage							
1	HSW	Human Services Warehouse	1111 North Loop	Austin	Warehouse	104,658	100,345
2	INW	Insurance Warehouse	7915 Cameron Road	Austin	Warehouse	25,479	23,864
3	WHB	Warehouse at Boim Road	6506 Boim Road	Austin	Warehouse	50,623	49,928
3					TOTAL WAREHOUSE/STORAGE	180,760	174,137
Miscellaneous							
1	APB	Aircraft Pooling Board Building (A.B.I.A.)	10335 Golf Course Rd	Austin	Office / Hangar	57,380	20,067
2	APB3	Hangar 3 at New Aircraft Pooling Board	10335 Golf Course Rd	Austin	Hangar	15,068	0
3	APB4	Hangar 4 at New Aircraft Pooling Board	10335 Golf Course Rd	Austin	Hangar	15,068	0
4	ARC	Lorenzo de Zavala Archives & Library	1200 Brazos	Austin	Archives/Storage	110,999	88,868
5	CCF1	Child Care Center Bldgs.	1501 Lavaca	Austin	Classroom	8,003	3,101
6	CCF2	Child Care Center Bldgs.	1507 Lavaca	Austin	Classroom	3,332	2,371
7	DROC	Disaster Recovery Operations	1001 W. No. Loop	Austin	Computer Center	25,295	21,323
8	PROM	Promontory Point	4044 Promontory Point	Austin	Service Center	152,225	132,200
9	STA	Service Station	1500 San Jacinto	Austin	Service Station	1,284	1,249
10	WLL	Wheless Lane Laboratory	2801 Wheless Lane	Austin	Laboratory	3,518	3,043
11	CPP	Central Power Plant	201 E. 14th St.	Austin	Power Plant	-	-
12	REJP	Robert E. Johnson Power Plant	1501 North Congress	Austin	Power Plant	-	-
13	SFAP	Stephen F. Austin Power Plant	1700 North Congress	Austin	Power Plant	-	-
13					TOTAL MISCELLANEOUS	392,170	272,222

FY 2011 Texas Facilities Commission Owned Inventory								
Bldg. ID	Facility Name	Address	City	Use / Activity	Gross Sq. Ft.	Usable Sq. Ft.		
Parking Garages								
1	PKA	Parking Garage A	1401 San Jacinto	Austin	Garage	300,767	0	
2	PKB	Parking Garage B	1511 San Jacinto	Austin	Garage	269,087	0	
3	PKC	Parking Garage C	1400 Colorado	Austin	Garage	18,601	0	
4	PKE	Parking Garage E	1604 Colorado	Austin	Garage	487,248	0	
5	PKF	Parking Garage F	1311 San Jacinto	Austin	Garage	149,608	9,391	
6	PKG	Parking Garage G	315 E. 17th St.	Austin	Garage	96,697	0	
7	PKH	Parking Garage H	4900 North Lamar	Austin	Garage	310,137	3,885	
8	PKJ	Parking Garage J	300 West 15th St.	Austin	Garage	261,882	1,894	
9	PKK	Parking Garage K Thomas J. Rusk Bldg.	200 E. 10th St.	Austin	Garage	98,498	0	
10	PKL	Parking Garage L William P Hobby Bldg.	333 Guadalupe St.	Austin	Garage	141,868	0	
11	PKM1	Parking Garage M1 Price Daniel Bldg.	209 West 14th St.	Austin	Garage	11,476	0	
12	PKM2	Parking Garage M2 Tom C Clark Bldg.	205 West 14th St.	Austin	Garage	18,074	0	
13	PKN	Parking Garage N	300 San Antonio	Austin	Garage	318,786	13,353	
14	PKP	Parking Garage P	1518 San Jacinto	Austin	Garage	261,737	0	
15	PKQ	Parking Garage Q	1610 San Jacinto	Austin	Garage	277,700	0	
16	PKR	Parking Garage R	1706 San Jacinto	Austin	Garage	585,139	10,000	
16					TOTAL PARKING GARAGES	3,605,001	38,623	
Parking Lots								
1	PK02	Parking Lot 2	111 E. 17th St.	Austin	Parking lot	48,920	0	
2	PK03	Parking Lot 3	1801 Colorado	Austin	Parking lot	53,248	0	
3	PK06	Parking Lot 6	1308 San Jacinto	Austin	Parking lot	8,867	0	
4	PK07	Parking Lot 7	1807 North Congress	Austin	Parking lot	108,800	0	
5	PK08	Parking Lot 8	1507 Lavaca	Austin	Parking lot	58,788	0	
6	PK8A	Parking Lot 8A	1507 Lavaca	Austin	Parking lot	6,300	0	
7	PK8B	Parking Lot 8B	1507 Lavaca	Austin	Parking lot	2,800	0	
8	PK11	Parking Lot 11	1500 North Congress	Austin	Parking lot	55,200	0	
9	PK12	Parking Lot 12	1801 San Jacinto	Austin	Parking lot	99,674	0	
10	PK14	Parking Lot 14	1000 North Congress	Austin	Parking lot	80,189	0	
11	PK15	Parking Lot 15	902 Colorado	Austin	Parking lot	17,864	0	
12	PK18	Parking Lot 18	1301 San Jacinto	Austin	Parking lot	17,864	0	
13	PK19	Parking Lot 19	203 MLK Blvd.	Austin	Parking lot	34,320	0	
14	PK22	Parking Lot 22	1501 San Jacinto	Austin	Parking lot	40,848	0	
15	PK24	Parking Lot 24	1806 Colorado	Austin	Parking lot	1,800	0	
16	PK25	Parking Lot 25	1111 Colorado	Austin	Parking lot	21,760	0	
17	PK26	Parking Lot 26	701 W. 51st Street	Austin	Parking lot	509,303	0	
18	PK27	Parking Lot 27	101 E 11th Street	Austin	Parking lot	20,480	0	
19	APBP	Aircraft Pooling Board Parking Lot/Sidewalk	10335 Golf Course Rd.	Austin	Parking lot	139,828	0	
20	HSWP	Human Services Warehouse/DROC Parking Lots	1111 North Loop	Austin	Parking lot	58,350	0	
21	P36P	Park 36 Parking Lots	12100 N. IH 35	Austin	Parking lot	547,903	0	
22	PROMP	Promontory Point Parking Lots	4044 Promontory Point	Austin	Parking lot	220,880	0	
23	WHBP	Warehouse at Bolm Road Parking	6506 Bolm Road	Austin	Parking lot	26,250	0	
23					TOTAL PARKING LOTS	2,175,836	0	
Land								
1	ESP	Esplanade	1200 San Jacinto	Austin	Land	2,400	-	
1					TOTAL LAND	2,400	0	

NON - TRAVIS

OFFICE								
1	ELP	El Paso State Office Building	401 E. Franklin	El Paso	Office	117,932	91,170	
2	ERB	Elias Ramirez State Building	5425 Polk Street	Houston	Office	239,271	198,513	
3	FTW	Fort Worth State Building	1501 Circle Drive	Fort Worth	Office	70,137	54,889	
4	GJS	G.J. Sutton Building	321 Center St.	San Antonio	Office	99,792	62,458	
5	GJSW	G.J. Sutton Building West	321 Center St.	San Antonio	Office	12,100	8,889	
6	TYL	Tyler State Office Building	3303 Mineola Hwy	Tyler	Office	52,269	45,474	
7	WAC	Waco State Office Building	801 Austin Ave.	Waco	Office	97,311	69,599	
8	TRC	Carlos F. Truan Natural Resource Center	6300 Ocean Drive	Corpus Christi	Office	98,681	72,479	
8					Total Non-Travis Office	787,493	601,469	

FY 2011 Texas Facilities Commission Owned Inventory							
Bldg. ID	Facility Name	Address	City	Use / Activity	Gross Sq. Ft.	Usable Sq. Ft.	
Warehouse/Storage							
1	SUR1	Surplus Property, San Antonio	2103 Ackerman Road	San Antonio	Warehouse	25,000	25,000
2	SUR2	Surplus Property, Fort Worth District	2826 N. Beach St.	Fort Worth	Warehouse	22,843	22,458
3	SUR4	Surplus Property, Houston District	8811 Wallisville Rd.	Houston	Warehouse	20,000	20,000
4	TRCA	Truan Natural Resource Center Boat Storage	6300 Ocean Drive	Corpus Christi	Boat Storage	11,737	0
4	Total Non-Travis Whse./Stor					79,580	67,458
Parking Garage							
1	EPG	El Paso State Building Garage	301 E. Missouri	El Paso	Garage	193,473	0
Parking Lots							
1	CCP	Truan Natural Resource Center Parking Lot	6300 Ocean Drive	Corpus Christi	Parking lot	65,280	0
2	ELPP	El Paso State Building Parking Lot	401 E. Franklin	El Paso	Parking lot	28,143	0
3	ERBP	Elias Ramirez Building Parking Lots	5425 Polk Avenue	Houston	Parking lot	216,218	0
4	FTWBP	Fort Worth Building Parking Lots	1501 Circle Drive	Fort Worth	Parking lot	113,066	0
5	GJSP	G. J. Sutton Building Parking Lots	321 Center St.	San Antonio	Parking lot	182,017	0
6	SUR1P	Surplus Property, San Antonio Parking Lot/Storage	2103 Ackerman Road	San Antonio	Park lot/Storage	193,050	0
7	SUR2P	Surplus Property, Fort Worth Parking Lot/Storage	2826 N. Beach St.	Fort Worth	Park lot/Storage	178,500	0
8	SUR4P	Surplus Property, Houston Parking Lot/Storage	8611 Wallisville Road	Houston	Park lot/Storage	108,052	0
9	TYLP	Tyler State Parking Lot	3303 Mineola Hwy.	Tyler	Parking lot	135,221	0
10	WSBP	Waco State Building Parking Lots	801 Austin Ave.	Waco	Parking lot	88,155	0
10	Total Non-Travis Parking Lots					1,303,700	0

FY 2011 Texas Facilities Commission Trust Property Inventory							
Bldg. ID	Facility Name	Address	City	Use / Activity	Gross Sq. Ft.	Usable Sq. Ft.	
Miscellaneous							
1	CEM	Cemetery Building	909 Navasota	Austin	Museum	4,796	2,694
2	CEBD	Cemetery Building Old Residence	901 Navasota	Austin	Residence	1,125	1,125
3	FLM	French Legation Museum	802 San Marcos	Austin	Museum	3,137	3,137
4	FLC	French Legation Carriage	802 San Marcos	Austin	Utility	1,855	1,855
5	FLMK	French Legation Museum Kitchen	802 San Marcos	Austin	Museum	360	360
5					TOTAL PARKING LOTS	11,273	9,171
Land							
1	CEML	State Cemetery Land 21 acres	909 Navasota	Austin	Cemetery	914,760	-
2	CEMBC	Bull Creek Annex Land 44 acres	27 1/2 W. 45th Street	Austin	Future Cem	2,012,036	-
2					TOTAL LAND	2,926,796	0

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Brant C. Ince
Alvin Shaw



Executive Director
Terry Keel

Mailing address:
P. O. Box 13047
Austin, TX 78711-3047

(512) 463-3446
www.tfc.state.tx.us

August 16, 2011

Ms. Shaun Seale
Team Leader
General Land Office
1700 Congress Avenue
Austin, Texas 78701

Re: Senate Bill 43, Real Property Review

Dear Ms. Seale,

We have reviewed the General Land Office's (GLO) draft copies of Real Property Evaluations dated June 16, 2011, pertaining to real estate assets owned by the Texas Department of Transportation.

Based on this review, the Texas Facilities Commission (TFC) comments for incorporation in GLO's final report to state leadership are as follows:

Current and future GLO evaluations identifying unused or under used state-owned properties should be assessed within the context of meeting State government's facilities requirements throughout Texas. In this regard, the Commission has made recommendations to State leadership to evaluate lease consolidations in the following cities: Austin, Beaumont, Corpus Christi, Dallas, Fort Worth, Houston, Lubbock and San Antonio.

The Commission assesses existing state-owned assets to fulfill our mission to provide cost effective facilities for state agencies throughout Texas. GLO's consideration of TFC's responsibilities is greatly appreciated.

Please contact me at 463-3447 if we can be of further assistance in this regard.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry Keel".

Terry Keel
Executive Director

cc: TFC - Michael J. Lacy, Stephen C. Huber

*-Conrad you
GLO*

Kay Molina

From: Michael Lacy
Sent: Wednesday, March 07, 2012 3:23 PM
To: Robert Siddall
Cc: Hal Croft; Isabel Gallahan; Jim Suydam; Larry Laine; Shaun Seale; Susan Biles
Subject: RE: State Agency Property Auction

Hello Robert:

I am sending this in response to your March 1, 2012, e-mail (below) notifying the Texas Facilities Commission (TFC, the "Commission") of the intention of the Texas General Land Office (GLO) to sell the identified Commission properties via auction on April 26, 2012. The Commission urges GLO to reconsider in particular the proposal to sell State Parking Lot 19 and the "Old Service Station" property.

TFC strongly disagrees with any efforts to sell state-owned properties within the Capitol Complex now or at any time. As stated in our February 3, 2011, letter to the Governor regarding GLO's recommendations at that time, the properties at issue and most state-owned real property within the Capitol Complex were purchased at legislative direction during the latter half of the 20th Century to meet existing needs and, equally important, to serve as placeholders to meet the space demands of future state government. While TFC has also identified these particular properties as under developed, these are irreplaceable strategic assets. The land cannot be re-assembled once sold. The monetization of these properties through commercial ground lease is imminent and will result in retention of ownership and greater value to the State through permanent streams of non-tax revenue to the benefit of the State Building Program. (See Facilities Master Plan Report, adopted by the Commission on January 19, 2011).

Current real estate market industry professionals indicate the Austin central business district office market is in the first stage of recovery and now is an inopportune time to sell real estate assets. Previous sales of State properties in the Austin area resulted in nominal short-term gain but overall, long-term loss to the State. In comparison, greater value could have been achieved had the assets been held and more efficiently utilized for State uses or monetized via public-private partnerships and other development strategies to generate significant non-tax revenues. Notwithstanding the current buyer's market, as noted, selling these properties conflicts directly with the Commission's adopted and published Comprehensive Asset Management & Development Strategy to maximize existing resources, improve operational efficiencies, achieve cost savings and create salient opportunities for the State to generate significant revenue from non-tax sources. (Facilities Master Plan Report, id.)

I would also ask you to take note that both lots are fully utilized pending redevelopment by the Commission. State Parking Lot 19 is at full capacity daily for the parking of state vehicles and employee vehicles, and is used after hours for special events parking including events at the Bob Bullock Museum. Furthermore, while there are no contracts tying up the subject properties, the Commission was approached by a general contractor in recent months to lease 50 parking spaces in State Parking Lot 19 for a six (6) month period to be used as staging and operations space for construction work required to repair fire damage in the adjacent Cambridge Tower condominiums. The contractor has a lease awaiting execution with this agency at this time. In addition, by long standing policy, the State has extended the Sunday use of State Parking Lot 19 to the University Avenue Church of Christ.

The Commission respectfully requests GLO to reconsider the inclusion of State Parking Lot 19 and the Old Service Station and instead remove them from the list for auction. I just left you a voice mail to discuss and understand you're out of the office until March 9th. I would

appreciate hearing from you by March 16, 2012, if the GLO intends to nevertheless proceed as proposed in your March 1st email.

Thank you for your courtesy and consideration.

Sincerely,

Michael J. Lacy
Deputy Executive Director
Planning & Asset Management
Texas Facilities Commission
(512) 463-3367

-----Original Message-----

From: Robert Siddall [<mailto:Robert.Siddall@GLO.STATE.TX.US>]
Sent: Thursday, March 01, 2012 10:11 AM
To: Chris (MHSC) Palmer; Michael Lacy; Mark.Berdoll@twc.state.tx.us
Cc: Hal Croft; Isabel Gallahan; Jim Suydam; Larry Laine; Shaun Seale; Susan Biles
Subject: State Agency Property Auction

Gentlemen:

It is our intention to hold an auction to dispose of approved underutilized state agency property that has been on our sale list since Spring 2011. The dates for each sale are as follows:

April 24 - TWC Brownsville Headquarters
April 25 - Wortham and Marlin Group Homes
April 26 - Parking Lot 19 and the Old Service Station

Please advise if there any issues we need to address prior to commencing preparations for the sale. I need to resolve any issues NLT March 9, 2012.

Regards,

Bob Siddall

Robert J Siddall
Director, Inventory and Disposition
Asset Management Division
Texas General Land Office
512 463 6432

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Mike Novak
Alvin Shaw



Executive Director
Terry Keel

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Austin, TX 78711-3047

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August 10, 2012

Ms. Shaun Seale
Team Leader, Asset Management
Texas General Land Office
Post Office Box 12873
Austin, Texas 78711-2873

Re: Review by the Texas Facilities Commission of the General Land Office's September 2012 Draft Real Property Evaluations Report

Dear Ms. Seale:

By this letter, the Texas Facilities Commission ("TFC" or "Commission") acknowledges receipt of your correspondence, dated June 15, 2012, accompanied by a draft version of the September 2012 real property evaluations (the "Draft Report") related to the real property inventories of TFC, the Texas Finance Commission, the Texas Department of Criminal Justice ("TDCJ"), the Health and Human Services Commission ("HHSC"), the Texas Juvenile Justice Department ("TJJD"), and the Texas Workforce Commission ("TWC"). In accordance with Section 31.157 of the Texas Natural Resources Code, you requested TFC perform its statutory duty to review the Draft Report and submit recommendations, if any, to your attention within sixty (60) days. This statute further requires the Texas General Land Office ("GLO") to incorporate in each final real property evaluation all comments and recommendations from TFC concerning potential use of the identified properties, as well as any comments from any state agency that owns or controls real property addressed in the Draft Report.

TFC has completed its review of the Draft Report and submits the enclosed document containing its comments and recommendations concerning potential use of other state agency real property identified in the Draft Report as well as its recommendations and comments as a state agency owner of real property named in the report. With the exception of particular instances detailed below and in the enclosed document, the Commission does not agree with the GLO recommendations in the Draft Report to sell state-owned real property within the Austin metropolitan area. The Commission furthermore believes that such actions would represent direct contravention to historic and ongoing legislative direction.

The Commission - comprised of three Governor's appointees, two appointees of the Lieutenant Governor and two appointees submitted by the House Speaker and appointed by the Governor - as a matter of policy has affirmed that all TFC-controlled, state-owned assets in the Austin

Texas Facilities Commission

Physical address: 1711 San Jacinto Blvd, Austin, Texas 78701

★ Planning and administering facilities in service to the State of Texas ★

Ms. Shaun Scale
August 10, 2012
Page 2 of 4

metropolitan area be retained perpetually. The Commission's position on this issue remains unchanged. Furthermore, Texas Government Code, Section 2165.107 directs the Commission in assigning space to departments of state government to give preference to available state-owned space. These properties, and most state-owned real property within the Capitol Complex, were purchased at legislative direction during the latter half of the 20th Century to meet existing space needs to house state government and, of equal importance, to serve as placeholders to meet the future space demands of state government. While TFC has also identified several of these properties as being currently underutilized, selling these assets will not result in the maximum financial benefit to the State. The sale of state-owned assets in the Austin area in recent decades has resulted in nominal short-term gain but overall long-term loss to the State in comparison with greater potential value that could have been realized had the assets been held and more effectively utilized. Furthermore, these properties are irreplaceable strategic assets and the land cannot be re-assembled once sold. Therefore, it would be in the State's best long-term financial interest, as well as least disruptive to the operation of state government, to retain these assets.

Other State Agency Real Property

By statute, the Texas Legislature has specifically exempted the real property designated in the Draft Report as GLO ID 2402, Bull Creek New State Cemetery, which is owned and controlled by the Texas State Cemetery Committee, from review and recommendation by the GLO. Texas Government Code, Section 2165.256(b) provides that this real property referenced as Bull Creek New State Cemetery is "part of the State Cemetery." According to Section 31.155(e)(5) of the Texas Natural Resources Code, real property comprising the Texas State Cemetery is exempt from the "duties of the [Asset Management] division to make recommendations regarding real property and of the commissioner to prepare a report involving real property under this subchapter." As this real property is not subject to GLO review, any reference to GLO ID 2402, Bull Creek New State Cemetery, in the Draft Report should be deleted from the final evaluation report.

With regard to the remaining real property owned by other state agencies included in the Draft Report, TFC agrees with GLO's conclusion that the real property owned by the Texas Finance Commission should be retained and has no recommendations regarding potential use of that property. In addition, TFC has no recommendations as to potential use of real property owned by TDCJ, TJJJ, and TWC that GLO identified as sites recommended for sale. Finally, TFC disagrees with GLO's recommendations that three (3) parcels of HHSC real property, namely the Austin Central Office, the Austin State Hospital, and the Austin State Supported Living Center No. 748, should be sold and offers its specific comments and recommendations regarding potential use of these properties in the attached document. Accordingly, the Commission formally requests that GLO remove these three (3) parcels of HHSC real property identified in the Draft Report as sites recommended for sale or lease by GLO and offers its specific comments and recommendations regarding potential use of these properties in the enclosed document.

TFC Real Property

In addition to the Commission's policy that all TFC-controlled, state-owned assets in the Austin metropolitan area be retained perpetually, implementation of the GLO recommendations for sale of TFC-controlled, state-owned real property in the Draft Report will adversely affect the orderly

Ms. Shaun Seale
August 10, 2012
Page 3 of 4

development of the state building program, the state budget, and the ability of all affected state agencies to conduct state business.

The GLO recommendations fail to take into consideration the following factors: current state agency occupancies of facilities recommended for sale or lease; the lack of comparable replacement facilities (e.g., large-block space above 10,000 square feet) available in the marketplace; repayment of all outstanding State of Texas indebtedness associated with the real properties; the immediate and long-term costs resulting from the disposition of institutional assets including the acquisition, construction, or lease of replacement facilities to accommodate the displaced tenant agencies; moving costs and other expenses associated with the relocation of the displaced tenant agencies; and the forfeiture of potential non-tax revenue generated from ground leases or public-private partnerships while allowing the State to retain ownership of the properties until needed to accommodate future space needs of state government.

A search of presently available office space in Austin's commercial real estate market reveals there are no listings of a comparable scale – 487,061 square feet – that would be required to replace the fully occupied William P. Hobby (“WPH”) and E.O. Thompson (“EOT”) State Office Buildings without widely dispersing the tenant agencies currently housed in those buildings. In fact, there are only two listings with approximately 10,000 square feet of contiguous space. Proposed developments of new office space are not scheduled for delivery until 2015 and thus will not be available in time to serve the immediate demand to house the agencies that would be displaced by the sale of WPH and EOT. If comparable facilities were available, market rents range from \$40 to \$49 per square foot and are increasing due to constricted supply. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of the displaced tenant agencies from state-owned to leased facilities resulting from GLO's recommendations would increase the State's excessive reliance on leased space and result in a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies.

GLO estimates indicate the state could realize a gain from the sales recommended in the Draft Report but, to understand the net effect to the state budget, the recommended transactions must take into account all attendant costs resulting from the proposed transactions. As discussed above, the GLO estimates fail to account for any of the costs which, when quantified, offset all gains and result in a net loss to the State. Furthermore, the Austin central business district office market is in the stage of recovery, headed into a period of expansion, making this a less than opportune time in the market cycle to sell real property. Previous sales of state-owned assets in the Austin area resulted in nominal one-time gains but overall long-term losses to the State. In addition to the current market conditions noted above, selling these properties conflicts directly with the Commission's adopted and published Comprehensive Asset Management and Development Strategy (CAMDS)¹ to maximize existing resources, improve operational efficiencies, achieve cost savings, and create salient opportunities for the State to generate significant revenue from non-tax sources.

¹ TFC's Facilities Master Plan Report is available on TFC's website at <http://www.tfc.state.tx.us/divisions/facilities/prog/planning/>. CAMDS can be found in Part 3 of the report titled “Initiatives.”

Ms. Shaun Seale
August 10, 2012
Page 4 of 4

Accordingly, the Commission formally requests that GLO remove all TFC-controlled, state-owned properties as well as the three (3) HHSC properties identified in the Draft Report as sites recommended for sale or lease by GLO and offers its specific comments and recommendations regarding potential use of these properties in the enclosed document.

The Commission appreciates the opportunity to submit these comments and recommendations concerning the use and need to retain ownership of state property. If you have any questions or need additional information regarding this matter, please contact Aundre Dukes, Portfolio Manager, at (512) 936-9984.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry Keel". The signature is written in a cursive style with a large, sweeping initial "T".

Terry Keel
Executive Director

Enclosure

cc: Michael J. Lacy, TFC
Kay Molina, TFC
Aundre Dukes, TFC
Ed Robertson, Governor's Office of Budget Planning and Policy

Review of General Land Office's September 2012 Draft Real Property Evaluations

Property Name: Austin Bolm Road Warehouse

GLO ID: #2177

Current Utilization: 100% utilized as warehouse, stockyard, showroom, offices and training facility.

Agency Comments: The Texas Facilities Commission ("TFC") recommends this property be retained for continued agency operations. The Austin Bolm Road Warehouse serves as the main office for the agency's State and Federal Surplus Property Programs as well as the Texas Railroad Commission Training Facility. The facility is also the primary warehouse for state agencies located in the Austin and central Texas region and TFC recently procured additional lease space across the street to accommodate expanding storage needs. In FY2011-2012, sales of surplus property at the warehouse returned approximately \$7.5 million to the General Revenue Fund. The operational needs of the surplus property programs can reasonably be expected to remain consistent or expand in scope and there is no available state-owned space to accommodate relocation of these programs if they were to be displaced by the proposed sale. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of these programs from state-owned to leased facilities resulting from the GLO's recommendation would increase the State's excessive reliance on leased space and represent a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Furthermore, any proceeds resulting from the disposition of this property would be offset by immediate and long-term costs to secure replacement facilities through acquisition, construction, or lease as well as moving costs and other expenses associated with the physical relocation of these programs.

Property Name: Bull Creek

GLO ID: New State Cemetery, #2402

Current Utilization: Property is vacant tract of land designated for cemetery purposes.

Agency Comments: This real property is not subject to GLO review and the Texas Facilities Commission recommends that any reference to this property be deleted from the final evaluation report. The Texas Legislature has specifically exempted this real property, which is owned and controlled by the Texas State Cemetery Committee, from review and recommendation by GLO. In clear and plain language, Texas Government Code, Section 2165.256(b) provides that this real property referenced as Bull Creek New State Cemetery is "part of the State Cemetery." According to Section 31.155(e)(5) of the Texas Natural Resources Code, real property comprising the Texas State Cemetery is exempt from the "duties of the [Asset Management] division to make recommendations regarding real property and of the commissioner to prepare a report involving real property under this subchapter."

Property Name: Capitol Childcare Facility and Parking Lot 8

GLO ID: #1912

Current Utilization: Child Care Facility is 100% utilized.

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Agency Comments: The Texas Facilities Commission ("TFC") recommends retaining this property. The Child Care Facility is fully utilized and approximately 200 children of state employees are currently enrolled at the facility. During the 82nd Legislative Session, the legislature expressed its continued commitment to providing child care services in the Capitol Complex by passing House Bill 3404 to re-establish a child care advisory committee to assist TFC in fulfilling its statutory duties under Government Code Chapter 663 to provide, develop, and administer child care services for state employees. Currently, such services are solely located in the Capitol Child Care Facility. Due to the proximity of State Parking Lot 8 to the John H. Reagan State Office Building and the Capitol Extension, assignment of parking spaces in this lot is controlled by the House of Representatives and the lot is used exclusively for legislative staff.

Property Name: Capitol Visitors Parking Garage

GLO ID: #1908

Current Utilization: 100% occupancy and utilized by visitors to the State Capitol.

Agency Comments: The Texas Facilities Commission recommends this property be retained for continued agency operations. The State Capitol Visitors Parking Garage is operated, managed, and under the control of the State Preservation Board. This facility is largely self-supporting and is the only state-owned parking garage dedicated to serving the needs of more than one million individuals estimated to visit the Capitol each year. By statute, net income from the facility is credited to the Capitol Fund for purposes including educational programs, acquisition and preservation of historic artifacts, and the overall benefit of designated buildings managed by the State Preservation Board. If the property were to be sold, net proceeds would likely be negatively impacted by the fact that development of the site is limited by statutory Capitol View Corridor restrictions.

Property Name: E. O. Thompson Building and Parking Lot 15

GLO ID: #1933

Current Utilization: 100% occupancy and utilized tenant agencies.

Agency Comments: The Texas Facilities Commission ("TFC") recommends this property be retained for continued agency operations. The building is 100% occupied by three state agencies and the spaces on Parking Lot 15 are utilized to accommodate employee and visitor parking. The operational needs of the tenant agencies can reasonably be expected to remain consistent or expand in scope and there is no available state-owned space to accommodate relocation of the tenant agencies if they were to be displaced by the proposed sale. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of displaced tenant agencies from state-owned to leased facilities resulting from the GLO's recommendation would increase the State's excessive reliance on leased space and represent a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Furthermore, any proceeds resulting from the disposition of this property would be offset by immediate and long-

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term costs to secure replacement facilities through acquisition, construction, or lease as well as moving costs and other expenses associated with the physical relocation of the displaced tenant agencies.

Property Name: Fort Worth Surplus Property Warehouse

GLO ID: #1954

Current Utilization: 100% utilized as warehouse, stockyard, showroom and offices

Agency Comments: The Texas Facilities Commission ("TFC") recommends this property be retained for continued agency operations. This facility houses TFC's State and Federal Surplus Property Programs and also serves as the primary warehouse space for state agencies located in the Dallas Metroplex and north Texas region. Through the Federal Surplus Property Program, the facility also serves 438 non-profit agencies and local governments. The operational needs of the surplus property programs can reasonably be expected to remain consistent or expand in scope and there is no available state-owned space to accommodate relocation of these programs if they were to be displaced by the proposed sale. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of these programs from state-owned to leased facilities resulting from the GLO's recommendation would increase the State's excessive reliance on leased space and represent a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Furthermore, any proceeds resulting from the disposition of this property would be offset by immediate and long-term costs to secure replacement facilities through acquisition, construction, or lease as well as moving costs and other expenses associated with the physical relocation of these programs.

Property Name: Parking Lot 12

GLO ID: #1901

Current Utilization: 100% utilization as parking lot for state employees.

Agency Comments: The Texas Facilities Commission recommends this property be retained for continued agency operations as TFC pursues opportunities under its statutory authority to develop potential non-tax revenue generated from ground leases or public-private partnerships on this site while allowing the state to retain ownership of the property until it is needed to accommodate future space needs of state government.

Property Name: Parking Lot 19

GLO ID: #1905

Current Utilization: Utilization as parking lot for state employees.

Agency Comments: If the buyer of the pending sale terminates the contract or fails to close, the Texas Facilities Commission recommends this property be retained as TFC pursues opportunities under its statutory authority to develop potential non-tax revenue generated from ground leases or public-private partnerships on this site while allowing the state to retain

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ownership of the property until it is needed to accommodate future space needs of state government.

Property Name: Parking Lot 25

GLO ID: #1896

Current Utilization: 100% utilization as parking lot.

Agency Comments: The Texas Facilities Commission recommends this property be retained for continued agency operations as TFC pursues opportunities under its statutory authority to develop potential non-tax revenue generated from ground leases or public-private partnerships on this site while allowing the state to retain ownership of the property until it is needed to accommodate future space needs of state government. Due to the proximity of State Parking Lot 25 to the Capitol and the Capitol grounds, assignment of parking spaces in this lot is controlled by the House of Representatives and the lot is used exclusively for legislative staff.

Property Name: Parking Lot 27

GLO ID: #1910

Current Utilization: 100% utilization as parking lot; only available parking to serve the Dewitt C. Greer Building.

Agency Comments: The Texas Facilities Commission recommends this property be retained for continued agency operations as TFC pursues opportunities under its statutory authority to develop potential non-tax revenue generated from ground leases or public-private partnerships on this site while allowing the state to retain ownership of the property until it is needed to accommodate future space needs of state government.

Property Name: Parking Lot 7

GLO ID: #1918

Current Utilization: Utilization as parking lot for state employees.

Agency Comments: The Texas Facilities Commission recommends this property be retained for continued agency operations as TFC pursues opportunities under its statutory authority to develop potential non-tax revenue generated from ground leases or public-private partnerships on this site while allowing the state to retain ownership of the property until it is needed to accommodate future space needs of state government. This site is presently the subject of an evaluation of an unsolicited proposal requesting approval to develop and operate a qualifying project under provisions of Texas Government Code, Chapter 2267 concerning public-private partnerships.

Property Name: San Antonio Surplus Warehouse

GLO ID: #3

Current Utilization: 100% utilized as warehouse, stockyard, showroom, offices and classroom.

Agency Comments: The Texas Facilities Commission ("TFC") recommends this property be retained for continued agency operations. This facility houses TFC's State and Federal Surplus Property Programs, and serves as the primary warehouse for state agencies in the San Antonio and south Texas region. Through the Federal Surplus Property Program, the facility also serves

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476 non-profit agencies and local governments. The operational needs of the surplus property programs can reasonably be expected to remain consistent or expand in scope and there is no available state-owned space to accommodate relocation of these programs if they were to be displaced by the proposed sale. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of these programs from state-owned to leased facilities resulting from the GLO's recommendation would increase the State's excessive reliance on leased space and represent a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Furthermore, any proceeds resulting from the disposition of this property would be offset by immediate and long-term costs to secure replacement facilities through acquisition, construction, or lease as well as moving costs and other expenses associated with the physical relocation of these programs.

 Property Name: Service Station

GLO ID: #1913

Current Utilization: Vacant; Sale pending per GLO asset management division

Agency Comments: If the buyer of the pending sale terminates the contract or fails to close, the Texas Facilities Commission recommends this property be retained as TFC pursues opportunities under its statutory authority to develop potential non-tax revenue generated from ground leases or public-private partnerships on this site while allowing the state to retain ownership of the property until it is needed to accommodate future space needs of state government. The site is the eastern gateway to the Capitol Complex and should be retained for redevelopment as a cornerstone consistent with the redevelopment throughout the Capitol Complex.

 Property Name: State Board of Insurance Warehouse

GLO ID: #2179

Current Utilization: 100 % utilized as warehouse, arson lab, offices, and training facility.

Agency Comments: The Texas Facilities Commission ("TFC") recommends this property be retained for continued agency operations. The facility was built per legislative directive specifically for the Texas Department of Insurance. The operational needs of the tenant agency can reasonably be expected to remain consistent or expand in scope and there is no available state-owned space to accommodate relocation were the tenant agency to be displaced by the proposed sale. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of displaced tenant agencies from state-owned to leased facilities resulting from the GLO's recommendation would increase the State's excessive reliance on leased space and represent a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Furthermore, any proceeds resulting from the disposition of this property would be offset by immediate and long-term costs to secure replacement facilities through

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acquisition, construction, or lease as well as moving costs and other expenses associated with the physical relocation of the displaced tenant agency.

Property Name: William P. Hobby Building and Parking Garage N

GLO ID: #2182

Current Utilization: 100 % utilized as office and parking facilities.

Agency Comments: The Texas Facilities Commission ("TFC") recommends this property be retained for continued agency operations. The building is 100% occupied by 20 state agencies and 1,320 FTEs. The operational needs of the tenant agencies can reasonably be expected to remain consistent or expand in scope and there is no available state-owned space to accommodate relocation of the tenant agencies if they were to be displaced by the proposed sale. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of displaced tenant agencies from state-owned to leased facilities resulting from the GLO's recommendation would increase the State's excessive reliance on leased space and represent a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Furthermore, any proceeds resulting from the disposition of this property would be offset by immediate and long-term costs to secure replacement facilities through acquisition, construction, or lease as well as moving costs and other expenses associated with the physical relocation of the displaced tenant agencies.

Property Name: Austin Central Office

GLO ID: #2580

Current Utilization: 100% occupancy and utilized as office space.

Agency Comments: The Texas Facilities Commission ("TFC") recommends this property be retained for continued agency operations. The operational needs of the HHSC Austin Central Office can reasonably be expected to remain consistent or expand in scope and there is no available state-owned space to accommodate relocation of the tenant agencies if they were to be displaced by the proposed sale. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of the HHSC Austin Central Office from state-owned to leased facilities resulting from the GLO's recommendation would increase the State's excessive reliance on leased space and represent a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Furthermore, any proceeds resulting from the disposition of this property would be offset by immediate and long-term costs to secure replacement facilities through acquisition, construction, or lease as well as moving costs and other expenses associated with the physical relocation of the HHSC Austin Central Office.

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Property Name: Austin State Hospital

GLO ID: #749

Current Utilization: State Hospital in and out patient care; state distribution center.

Agency Comments: The Texas Facilities Commission recommends this property be retained for continued agency operations. The operational needs of the Austin State Hospital can reasonably be expected to remain consistent or expand in scope and there is no available state-owned space to accommodate relocation of the tenant agencies if they were to be displaced by the proposed sale. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of the Austin State Hospital from state-owned to leased facilities resulting from the GLO's recommendation would increase the State's excessive reliance on leased space and represent a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Furthermore, any proceeds resulting from the disposition of this property would be offset by immediate and long-term costs to secure replacement facilities through acquisition, construction, or lease as well as moving costs and other expenses associated with the physical relocation of the Austin State Hospital.

Property Name: Austin State Supported Living Center

GLO ID: #748

Current Utilization: State assisted living center.

Agency Comments: The Texas Facilities Commission ("TFC") recommends this property be retained for continued agency operations. The operational needs of the Austin State Supported Living Center can reasonably be expected to remain consistent or expand in scope and there is no available state-owned space to accommodate relocation of the tenant agencies if they were to be displaced by the proposed sale. TFC's historical lease records indicate the State of Texas has spent in excess of \$501 million on leased facilities over the last twenty years and the State has experienced a 250% increase in lease expenditures over the last decade due to the lack of state-owned facilities. The relocation of the Austin State Supported Living Center from state-owned to leased facilities resulting from the GLO's recommendation would increase the State's excessive reliance on leased space and represent a significant shift away from the legislative direction expressly provided in statute to prioritize the use of state-owned facilities over the use of leased facilities to meet the space needs of state agencies. Furthermore, any proceeds resulting from the disposition of this property would be offset by immediate and long-term costs to secure replacement facilities through acquisition, construction, or lease as well as moving costs and other expenses associated with the physical relocation of the Austin State Supported Living Center.

P3 Evaluation Timeline

The following is a cumulative timeline of key stages for consideration of proposal(s), starting with date of receipt through public hearings and formal action by the Commission.

Start The Planning and Real Estate Management Division receives the proposal(s), and staff reviews for compliance with the Guidelines.

Part One – Conceptual Evaluation Stage

30 days The Planning and Real Estate Management Division undertakes Preliminary Review and determines whether to accept and recommend a proposal for Conceptual Evaluation based on appropriateness of the proposal and compliance with the submittal requirements of the Guidelines.

45 days With approval of the Executive Director, if and when a proposal is accepted for Conceptual Evaluation, within 10 days of acceptance, the Commission provides public notice by posting a redacted version of the proposal that includes the nature, timing, and scope of the proposal. The proposal is posted, for a period of not less than 45 days on the Commission's website and on Texas.gov or the State's official internet website. The proposal may also be advertised in any manner considered appropriate by the Commission to provide notice for stakeholder input and to encourage competition by providing maximum notice to private entities interested in submitting competing proposals. Based on the complexity of the original proposal, additional time may be added to the notice period for invitation of competing proposals.

30 days The Commission's Oversight Committee completes conceptual evaluation of the proposal(s).

10 days Based on the findings of Conceptual Evaluation, the Oversight Committee prepares and submits recommendations for proposal(s) to be considered during the detailed evaluation stage and submits same to the Executive Director and Commissioners so that at a general meeting, or any special meeting, the Commissioners may consider same in executive session and take formal action in public to:

- Proceed to the detailed evaluation stage (Part 2) of the review of the original proposal;
- Proceed to the detailed evaluation stage (Part 2) of the review of a competing proposal;
- Proceed to the detailed evaluation stage (Part 2) of the review of multiple proposals; or
- Not to proceed further with any proposal.

This is the first public hearing for stakeholder input.

Part Two – Detailed Evaluation Stage

60 days Oversight Committee issues request to private entities to deliver detailed proposals to the Commission.

90 days Outside advisors or consultants are engaged. Oversight Committee reviews detailed proposal(s), requests additional information, meets with private entities to discuss the proposal(s) and takes such additional actions as it deems necessary to review the proposal(s). Contemporaneously, a summary of terms and drafts of interim or comprehensive agreements are prepared as details are discussed with private entities. Commission submits detailed proposal(s) to the Partnership Advisory Commission (PAC).

60 days Not later than the 10th day after receiving a detailed proposal, the PAC determines whether to accept or decline a proposal for review. Within 45

P3 Evaluation Timeline

days of accepting a detailed proposal for review, the PAC delivers to the Commission its findings and recommendations that include a determination on whether the terms of the proposal and qualifying project create state tax supported debt taking into consideration an analysis of financial impacts, a review of the policy aspects, and proposed general business terms.

Private Entity submits copies of the detailed proposal to Affected Jurisdiction(s). Not later than 60 days after receiving the proposal, the Affected Jurisdiction submits written comments on the proposed qualifying project indicating whether the facility or project is compatible with the local comprehensive plan, local infrastructure development plans, capital improvements budget, or other government spending plan.

The PAC and Affected Jurisdiction may conduct public hearings independent of TFC.

30 days Oversight Committee reviews final detailed proposal(s), with negotiation details and prepares a recommendation to the Executive Director and Commissioners so that at a subsequent general meeting, or any special meeting, the Commissioners may consider same in executive session and take formal action in public to select a proposal for final negotiations.

This is the second public hearing for stakeholder input.

60 days Oversight Committee completes proposed draft of the interim or comprehensive agreements, working in conjunction with outside advisors or consultants, legal and fiscal staff, and others as necessary.

30 days Proposed interim or comprehensive agreements are submitted to the Commission for consideration and possible action at a subsequent general meeting, or any special meeting.

Not later than 30 days before holding a public hearing to authorize the execution of an interim or comprehensive agreement, the Commission submits to the PAC a copy of the proposed interim or comprehensive agreement and a report describing the extent to which the PAC recommendations were addressed in the proposed interim or comprehensive agreement.

This is the third public hearing for stakeholder input.

5 days Assemble all documentation, complete procurement file, organize documentation for signature and financial closing.

RESPONSES TO ISSUE 2

Overall Agency Response to Issue 2

The Texas Facilities Commission (“TFC” or “Commission”) generally agrees with the Sunset Advisory Commission Staff Report (“Staff Report”) recommendations, with certain exceptions noted below.

The Staff Report identifies the need to amend Chapter 2267 of the Texas Government Code, entitled the Public and Private Facilities and Infrastructure (“P3 Act”). While the Staff Report acknowledges that TFC is engaging in P3s as authorized by the P3 Act, the Staff Report states that *“TFC has put the cart before the horse, stepping into these efforts without adequate guidance, planning, and resources needed to ensure protection of the State’s best interests. . . . Further, TFC’s decision to use public-private partnerships to develop the Complex is moving forward without sufficient guidelines, expertise, and funding for effective consideration of these multi-faceted agreements.”* TFC respectfully disagrees with these statements.

TFC began preparing a comprehensive asset management and development strategy in late 2009 and a facilities master plan was subsequently adopted by TFC in 2011. As discussed in more detail in the Overall Agency Response to Issue 1, the Staff Report itself acknowledges that TFC provided numerous briefings and updates in 2010 and 2011 to more than 1,000 key stakeholders, including state leadership, state agencies, and local government officials regarding plans for developing the Capitol Complex. Since passage of the P3 Act in 2011, TFC has taken many steps to methodically develop a framework and processes for evaluating and managing P3 projects as contemplated in the legislation and that will protect the State’s interests. One of the first of these steps was TFC’s adoption of the P3 Guidelines in open meeting.

The P3 Guidelines adopted by TFC following passage of the legislation comply with and are more comprehensive than the requirements of the P3 Act. Had TFC implemented substantially more restrictive guidelines or requirements than those provided by the Act, it may have given rise to concerns that TFC was overstepping the boundaries of legislative intent. Additionally, since adoption of the P3 Guidelines, under the P3 Act, TFC has not issued any solicitations for P3 projects and has only posted one unsolicited proposal for conceptual evaluation.

TFC recognizes, as does the Staff Report, that P3s require additional resources. TFC has engaged staff with the necessary skills and industry expertise as well as contracted for professional advisory and technical services as needed. TFC is currently soliciting technical and advisory resources for the Capitol Area Development Study (“Study”) to analyze the development feasibility. The analyses include: legal and regulatory analyses, market and competitive analyses, location and site analyses, and financial analyses that as part of the Study will culminate in a Development Feasibility and Residual Land Valuation Report. The results of development feasibility analyses will guide future planning efforts and evaluation of proposals.

Recommendation 2.1

Require TFC to include a complete and clearly documented process for evaluating P3 proposals in its P3 Guidelines, and make the evaluation results publicly available.

Agency Response to 2.1

TFC agrees with this recommendation. As required by the P3 Act. TFC's current evaluation process as set out in its P3 Guidelines satisfies this recommendation. *See* TFC P3 Guidelines Section V, p. 10 (Proposal Preparation and Submission); Section VI, p. 20 (Proposal Evaluation and Selection Criteria).

Recommendation 2.2

Require TFC to use a value for money analysis to ensure the agency determines the best approach for developing state assets.

Agency Response to 2.2

TFC disagrees with this recommendation, for the reason that a value for money analysis ("VFM") should not be the only available methodology. A financial analysis that includes a cost benefit analysis and life cycle cost analysis is required by statute. A VFM analysis is one methodology, but the phrase has an industry specific connotation. Each business case analysis will be different. A VFM would not be appropriate in all cases and should be considered as one of many analytical tools.

Recommendation 2.3

Require TFC to hold a public hearing on a P3 proposal before submitting it to the Partnership Advisory Commission, and to incorporate public comments into the proposal submission.

Agency Response to 2.3

TFC agrees with this recommendation.

Recommendation 2.4

Require the Commission's P3 Guidelines to include policies on acquiring needed professional expertise to evaluate, negotiate, and oversee P3 proposals and contracts.

Agency Response to 2.4

TFC disagrees with this recommendation. The P3 Guidelines direct the private entities in submitting proposals. The authority to acquire needed expertise is currently in Texas Government Code Chapter 2267. The appropriate place for the policy is in TFC's internal operating policies and procedures.

Furthermore, each P3 proposal or qualifying project is unique. The scope of work for the necessary advisors or consultants is drafted specific to each proposal or qualifying project and follows TFC's internal policies and statutory purchasing requirements.

Recommendation 2.5

Require TFC to submit each P3 contract to the Comptroller's Contract Advisory Team for review and comment before adoption by the Commission.

Agency Response to 2.5

TFC disagrees with this recommendation as the Comptroller's Contract Advisory Team ("CAT") is not qualified to review and comment on a P3 contract. CAT reviews and comments on large contracts for goods and services, not real estate contracts such as a comprehensive agreement for P3 projects. TFC believes review and comment by the Office of the Attorney General would be more meaningful and appropriate.

Recommendation 2.6

Specifically authorize TFC to charge a reasonable proposal fee to recover the costs of processing, reviewing, and evaluating P3 proposals.

Agency Response to 2.6

TFC agrees with this recommendation which would also provide TFC with required appropriation authority to ensure TFC is able to use the collected fees to hire or contract for the expertise needed to effectively evaluate P3 proposals.

Recommendation 2.7

Prohibit outside employment of TFC P3 program staff in fields or activities related to their responsibilities at the agency.

Agency Response to 2.7

TFC does not view this recommendation as appropriate to have been included in the Staff Report.

The P3 Act is a state law applicable to nearly all state agencies as well as multiple levels of local governments. If attention is to be directed towards an undefined conflict of interest related to the subject, it should be addressed as a state policy matter applicable and directed to all state agencies and political subdivisions. Furthermore, TFC believes it benefits from professional employees, such as real estate professionals, who maintain their skill in the private sector where that outside employment does not constitute a conflict of interest with their state job. Moreover, the Staff Report identifies no actual conflict that exists at TFC but suggests the need for TFC to "*ensure it has sufficient information to determine whether any potential conflict of interest exists between an employee's duties and their outside employment, and that each employee is aware of and agrees in writing to the agency's ethics*

and conflict of interest policies.” In fact, this suggestion in the Staff Report is already TFC’s current practice.¹

Recommendation 2.8

Direct the Commission to delay formal action on P3 proposals until after September 1, 2013.

Agency Response to 2.8

TFC defers to the will of the Partnership Advisory Commission and the legislature on this recommendation. It should be noted that the Staff Report has not accounted for substantial criticism by the private sector for what some perceive as a process that is already too slow. This recommendation has no adverse impact provided that “formal action” is defined as TFC’s approval of a comprehensive agreement.

Recommendation 2.9

Direct TFC to provide financial information and analysis related to any P3 revenues to the Legislative Budget Board.

Agency Response to 2.9

TFC agrees with this recommendation.

¹ All TFC employees must disclose details of any outside employment and furthermore sign statements that any such outside employment will not conflict with or infringe on their duties with or responsibilities for the agency. Violation of the policy constitutes grounds for termination. (*See Attachment 4.*)



TEXAS FACILITIES COMMISSION
OUTSIDE EMPLOYMENT/BOARD MEMBERSHIP NOTIFICATION FORM

SECTION 1 - To be completed by employee.

Form with 12 numbered sections for employee completion, including name, classification, duties, and certification.

SECTION II - Legal Division

Legal Division section with conflict of interest question and signature line.

SECTION III - Senior Management

Senior Management section with conflict of interest question and signature line.

SECTION IV - Human Resources Certification

Human Resources Certification section with signature and date line.

RESPONSES TO ISSUE 3

Overall Agency Response to Issue 3

The Texas Facilities Commission (“TFC” or “Commission”) generally agrees with the recommendations with exceptions noted below. The Sunset Advisory Commission Staff Report identifies the need to implement best practice guidelines for TFC’s contract management processes. Implementing best practice guidelines will further ensure TFC’s contracting function achieves best value for the State.

Recommendation 3.1

Management Action

Direct the Commission to formally adopt policies on contracting methods and indefinite delivery/indefinite quantity contracts in a public meeting.

Agency Response to 3.1

TFC disagrees with this recommendation. TFC currently has in place policies on contracting methods and the use of indefinite quantity indefinite delivery contracts (“IDIQs”), all of which were drafted with Commission participation and formally adopted in an open meeting. Since the Commission is a citizen commission and generally meets once a month, although only required by statute to meet four times a year, TFC feels that the use of IDIQs for the limited circumstances set forth in current Commission-approved policy allows the agency to provide services timely and to address emergencies. These contracts allow TFC to procure design professional services almost immediately when warranted by circumstances, facilitating prompt response to unforeseen conditions and conditions affecting tenant life safety and continuity of state government operations. These lawful procurement methods allow TFC to avoid excessive expenditures that can result from delayed action in resolving this urgent category of issues.

TFC agrees that better definition of various procurement methods could strengthen the process and a review of the agency’s procurement workflow is currently underway. Current training and procedures are also being reviewed to more clearly define and document the factors behind decisions to use a particular procurement method. While TFC believes current training and procedures ensure adequate compliance with procurement regulations and goals, additional internal controls currently in development will further ensure the best procurement method is applied in all circumstances.

Recommendation 3.2

Direct TFC to revise its policy on the use of interagency contracts and develop a policy for bundled contracts.

Agency Response to 3.2

TFC agrees with this recommendation. There is a strategic process to follow when planning the implementation of capital improvements that promote both healthy competition and good value results for state construction contracts. One of those steps is evaluating the scope of work for any set or category of authorized initiatives to determine how best to combine, segregate, and phase the work to obtain maximum bid participation, manage risk, and efficiently accomplish the work. A previous biennial authorization of deferred maintenance funding for TFC was bundled into a single construction contract on what appeared to be the sole criteria of the funding authorization itself. While the resulting contractor performed admirably and this single contract award relieved the project management staff from numerous additional procurement activities while managing a substantial burden of other agency projects, additional opportunity could have been afforded to the construction community that could possibly have resulted in more competitive pricing. It is important to note, however, that the construction manager-at-risk project delivery method utilized for this contract did afford competitive bidding at the subcontractor level for every phase of the project. This included good-faith effort for HUB participation and full evaluation of the subcontractor bids and qualifications to ensure best value was delivered for the State. The subcontract pricing is where the vast majority of the project cost resides and the only costs that were not rebid for each initiative was the construction manager's fee and general conditions, or essentially his cost for managing the work.

Recommendation 3.3

TFC should improve its procedures for soliciting and awarding contracts, including performing risk and needs assessments and documenting needed information.

Agency Response to 3.3

TFC agrees with this recommendation.

- **Risk and needs assessment.** Building on the agency's current practice of extensive preliminary analysis and reassessment of risk throughout the design and construction process, further development and documentation of clear risk and needs assessments in contracting files will assist agency contract administrators in more effectively overseeing the agency's contracts and provide an improved method to evaluate contract management performance.
- **Contract Advisory Team recommendations.** Consistent documentation on the implementation of CAT recommendations will provide a useful tool during future procurements.
- **Insurance requirements review.** Centralizing the agency's ongoing insurance review function by qualified staff will further ensure potential risk to the state is mitigated.
- **Negotiation plans and outcomes.** The development of clear negotiation plans and documentation of negotiation outcomes will enable the staff to provide useful, informative reports to agency leadership.

Recommendation 3.4

Direct TFC to apply certain contracting standards to better align its contract administration procedures with commonly accepted best practices.

Agency Response to 3.4

TFC agrees with this recommendation.

- **Administration plans.** Developing administration plans for each of the agency's contracts will not only help current contract administrators but will provide continuity to the agency's contract administrations in the event of staff turnover.
- **Training.** Providing contract administration training will provide staff with the tools necessary to provide efficient, effective contract oversight.
- **Documentation and reporting on monitoring efforts.** Clear documentation and improved centralization of contract files will help the agency mitigate potential risks more effectively, better assist contract administrators in monitoring contractors, and provide an improved method to evaluate contract management performance.
- **Use of building commissioning.** The development of criteria for determining when it is appropriate to use commissioning for a TFC or client agency project will enable the agency to better monitor construction projects and ensure projects are completed according to building and design specifications.
- **Close out.** Detailed contract close out, including contractor and agency performance assessments, will improve the agency's overall contract management as well as provide useful performance data during future procurements.
- **Master files.** Maintaining centralized master contracting files that include all stages of the contracting process will improve overall oversight of contract functions and make contract management easier for the agency.
- **Vendor oversight.** Monitoring contractor performance will enable the agency to ensure the contractor is performing all duties in accordance with the contract and allow the agency to mitigate and address any developing problems or issues.

Recommendation 3.5

TFC should develop a policy to apply contracting standards to P3 contracts when applicable.

Agency Response to 3.5

TFC agrees with this recommendation to develop a policy for ensuring the application of any applicable contracting best practices to P3 contracts, while leaving unchanged the current provision of the P3 statute that exempts agencies from most procurement requirements and standards.

RESPONSES TO ISSUE 4

Overall Agency Response to Issue 4

The Texas Facilities Commission (“TFC” or “Commission”) agrees with the recommendations. The Sunset Advisory Commission Staff Report identifies the need for updated analytical tools and database systems in order to provide the information necessary to more effectively manage and assess performance of the agency’s deferred maintenance program. TFC agrees that equipment and building systems must be updated and recognizes the need for updated analysis and information management for the deferred maintenance program. To address deficiencies in the agency’s database systems, TFC has requested additional funding in its 2014-2015 Legislative Appropriations Request under an exceptional item related to a new integrated information system.

Recommendation 4.1

Require TFC to develop and regularly update a comprehensive plan for all of its maintenance and capital improvement needs.

Agency Response to 4.1

TFC agrees with this recommendation. TFC has comprehensive data on future needs but agrees this data needs to be updated systematically and that this data could be improved through integrated data management systems that will automate the process and provide more timely analysis and reporting capabilities. TFC is of the opinion that there is a fiscal impact related to implementation of this recommendation and has requested \$2.6 million for a new integrated information system in its 2014-2015 Legislative Appropriations Request. Additionally, to implement Recommendation 4.1 effectively, TFC is of the opinion that additional FTEs or funds to procure professional services are necessary. Since January 1, 2010, TFC has responded to the need to cut state spending. TFC reduced its agency employee workforce by 20% by the end of fiscal year 2011. Additionally, other costs saving measures have made it possible for TFC to absorb a \$2.5 million General Revenue reduction in appropriations from the 2010-11 biennium to the 2012-13 biennium, all while continuing to meet and exceed its delivery of services to the public and our client agencies. If no appropriation is provided to fund additional FTEs or the procurement of professional services necessary to implement Recommendation 4.1 effectively, TFC will need to raise its current fees in order to cover the expense.

- **Deferred maintenance needs.** Developing an improved comprehensive planning process that combines the agency’s capital renewal needs and critical and non-critical maintenance needs will provide agency management with the improved tools needed to more adequately forecast future funding and resource needs for deferred maintenance.
- **Capital improvement needs.** Maintaining an updated list of prioritized and imminent capital improvement needs will assist management in formulating its legislative appropriations requests as future funding needs will be readily identified based on updated information.

- **Emergency needs.** Identifying potential funding sources in consultation with the Legislative Budget Board will significantly reduce agency response time when faced with emergency projects.

Recommendation 4.2

Direct TFC to better track and report management and performance data about its deferred maintenance program and the condition of its building systems.

Agency Response to 4.2

TFC agrees with this recommendation. As stated in the agency response to 4.1, TFC is of the opinion that there is a fiscal impact related to implementation of this recommendation and has requested \$2.6 million for a new integrated information system in its 2014-2015 Legislative Appropriations Request.

RESPONSES TO ISSUE 5

Overall Agency Response to Issue 5

The Texas Facilities Commission (“TFC”) agrees with the recommendations. The Sunset Advisory Commission Staff Report identifies standard policy directives missing from TFC’s statute that are designed to ensure open, responsive, and effective government. TFC agrees that current reporting requirements are repetitive and inefficient.

Recommendation 5.1

Continue all of TFC’s reporting requirements, but align the due dates and recipients of selected reports to allow for report consolidation.

Agency Response to 5.1

TFC agrees with this recommendation.

Recommendation 5.2

Apply the standard Sunset across-the-board requirement for the Commission to develop a policy regarding negotiated rulemaking and alternative dispute resolution.

Agency Response to 5.2

TFC agrees with this recommendation.

RESPONSES TO ISSUE 6

Overall Agency Response to Issue 6

The Texas Facilities Commission (“TFC”) agrees with the recommendation. The Sunset Advisory Commission Staff Report identifies the state’s continuing need for a consolidated and cost effective planning, management, and maintenance of state facilities. TFC agrees that this agency is best suited to provide these services for the State of Texas.

Recommendation 6.1

Continue the Texas Facilities Commission for eight years to align its review with other state agencies that provide administrative support services in Texas.

Agency Response to 6.1

TFC agrees with this recommendation.