



# CITY OF HOUSTON

## Administrative Procedure

Subject: **Leasing City of Houston Owned Real Estate**

A.P. No:

**7-3 Revised**

Effective Date:

**10/15/2010**

### 1. AUTHORITY

- 1.1 Texas Constitution Article III, § 52(a); City of Houston Charter Article VII, § 9; 1.3 City of Houston Code of Ordinances § 2-241(c).

### 2. PURPOSE

- 2.1 This policy sets guidelines for the leasing of City of Houston-owned real estate (City as landlord).

### 3. OBJECTIVES

- 3.1 To ensure that leases of City-owned real estate comply with law and policy.

### 4. DEFINITIONS

*Public purpose* – the provision of a service which is beneficial to the residents of the City and directly connected with the local government and would include a function or activity which supplants or extends existing City services.

### 5. SCOPE

- 5.1 This policy applies to all City leases of City owned real estate.

### 6. RESPONSIBILITIES

- 6.1 The General Services Department shall negotiate leases for City owned real estate except that:
- 6.1.1 The Convention and Entertainment Facilities Department and Houston Airport System shall each be responsible for negotiating leases of City owned real estate under their management and control.

### 7. PROCEDURE

- 7.1 A lease of City owned real estate shall be at fair market rental value payable in cash to the City. Only when a lease is with an entity whose predominate purpose is to accomplish a public purpose, as defined below, may the lease provide that a portion of the rental

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value be payable by the value of public services delivered by the tenant from the leased premises. When a portion of rental is payable by the value of public services delivered by the tenant, the lease shall provide that the tenant shall report not less frequently than annually on the value of public services delivered and that the tenant shall provide financial reports to the City as requested.

- 7.2 A ground lease shall be on a triple-net basis, meaning that the tenant shall be responsible for the payment of all ad valorem taxes, liability and property and casualty insurance premiums, and costs of maintenance in addition to the monthly rental payable to the City.
- 7.3 An improved property lease in a multi-tenant building shall be on a gross rental basis, meaning that the City shall be responsible for property and casualty insurance on the building and maintenance of the building and common areas. The tenant shall be responsible for liability and property & casualty insurance on its personal property and tenant improvements.
- 7.4 When separate utility metering is available, the tenant shall be responsible for the payment of utilities used by the tenant at the leased premises in order to encourage responsible energy use.
- 7.5 A lease shall provide the City the right to cancel the lease upon prior notice to the tenant. The amount of prior notice shall depend upon the length of the lease term, the amount of leasehold improvements made by the tenant, and other relevant factors. If the tenant will be making substantial permanent improvements to the leased premises, it may be necessary to negotiate an amount payable by the City to the tenant to cancel a lease before the tenant's capital improvements to the leased premises are effectively amortized.