

Spotlight on Spending: Government rent bills sometimes more than building's worth

Some say city should only lease on temporary buildings

By Sara Foley

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CORPUS CHRISTI — Taxpayers annually spend hundreds of thousands of dollars to lease buildings that in some cases are worth less than the rent governmental entities pay.

Renting instead of buying properties bolsters property tax rolls and sometimes keeps governments from spending money on building maintenance. However, leasing properties can benefit landlords more than the public's bottom line.

Renting space is rarely in taxpayers' best interest when the building serves a long-term need, said Assistant City Manager Cindy O'Brien, who oversees the city's finance and budget departments.

Still, the city and county lease some spaces with no plans to build offices or buy real estate.

For example, Nueces County pays more in one year of rent than its records storage warehouse is worth.

The building at 611 Palm Drive is owned by local businessmen Mack Rodriguez and George Finley III, a longtime political activist.

The Nueces County Appraisal District set the building's value at \$136,812 in 2010, but the county pays \$178,200 a year to rent the space. The county also pays all utility bills.

By the time the 10-year lease on the building expires in 2016, the county will have spent nearly \$1.8 million on rent — 13 times its appraised value. The current lease is an extension of a 1996 contract, which charged the county \$44,160 a year, one-third the amount the county now spends annually.

When county commissioners approved the current lease in 2005, then-County Judge Terry Shamsie said it was a good deal for the county. Finley said at the time he did not negotiate the deal.

But now County Commissioner Mike Pusley wants a way out of the contract, which he said has no exit clause.

"If you're going to spend the kind of money that (former county commissioners) signed a lease for, they could have built their own building that we would own," he said.

"That's a very old building. It has significant problems with the roof. If we ever had a serious hurricane, everything in our archives could be gone."

Not all government-leased property is as expensive.

The Corpus Christi Regional Transportation Authority leases strips of land for bus stops, a boat slip for the Harbor Ferry and land for its bus transfer station at Six Points. None of the property costs more than \$15,000 a year.

The Corpus Christi Independent School District doesn't lease any property.

Nueces County leases some other property for free or less than \$10, such as park land and shared government buildings. It also leases space for justices of the peace and adult probation offices.

Like the Nueces County storage building, Corpus Christi rents offices at rates above real estate trends for offices that need a permanent home.

The city's police department and municipal courts building doesn't have room for everyone, so the city has leased space at the Nueces County Appraisal District building across the street and at Wilson Plaza, an 84-year-old uptown building.

When the city took over the detention center from Nueces County in 2004, it moved the offices into Wilson Plaza because it was in a bind for readily available space, O'Brien said. It has since more than tripled the city-leased square footage there, bringing one municipal court and the juvenile assessment center to the office. The city pays \$1 a square foot for the space, which includes utility payments.

The building is considered Class C office space, which typically rents for 75 cents a square foot, local commercial real estate firm owner Matt Cravey said.

There aren't any immediate plans to move out of the rented space to find a permanent home for the offices, O'Brien said.

The city debated moving all municipal court offices from the police building, an idea that would have given police needed space, too, she said.

The Corpus Christi Police Department pays the Nueces County Appraisal District to rent the top floor of its building at 201 N. Chaparral St.

Despite the building's ongoing maintenance problems and aging chiller, the appraisal district recently increased the police department's rent from 62 cents a square foot to 92 cents a square foot.

"If the police department wasn't leasing there, the chances of them finding a tenant are slim to none," Cravey said.

That's because there is an abundance of empty office space downtown. A downtown office building typically leases for about 75 cents a square foot, Cravey said.

Corpus Christi city officials evaluate each situation when deciding whether to rent or buy. In most cases, buying a building is better for taxpayers, O'Brien said.

It makes better financial sense to lease buildings the city needs temporarily, she said.

"We may pay a slightly higher rate to avoid owning a building that we only need for a short time," she said.

That was the case when the city agreed to rent a storage building on Mestina Street to store fire department equipment. It will cost the city 47 percent more than the building's appraised value during the 38-month lease, according to the rental agreement the city signed and the value listed by the Nueces County Appraisal District.

The warehouse holds equipment that will eventually move to a new fire station, Fire Chief Richard Hooks said.

Leasing property can save government money if they're negotiated carefully, Pusley said. Waiting until entities need space immediately hurts taxpayers, he said.

"If you need instant relief, you go find a cheap solution right away," Pusley said. "You just have to be really careful about that."

Reporters Rhiannon Meyers and Jessica Savage contributed to this report.



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