

- SUBJECT:** Allowing a 99-year lease for the Flagship Hotel in Galveston
- COMMITTEE:** Land and Resource Management — committee substitute recommended
- VOTE:** 8 ayes — Walker, F. Brown, Geren, Howard, Krusee, Mowery, Truitt, B. Turner
0 nays
1 absent — Crabb
- SENATE VOTE:** On final passage, March 15 — 30-0, on Local and Uncontested Calendar
- WITNESSES:** None
- BACKGROUND:** In 1965, the 59th Legislature granted the City of Galveston a 75-year lease for the state-owned submerged land under the city pier that extends out into the Gulf of Mexico. The city issued bonds and sold them to a developer, who built the Flagship Hotel. The bonds were retired in 25 years. The city owns the hotel. The authority for the project is contained in Local Government Code, ch. 307, which applies only to the Flagship Hotel in the City of Galveston, based on the description of the land and other features.
- DIGEST:** SB 673 would amend Local Government Code, ch. 307 to allow the General Land Office (GLO) to grant a 99-year lease of state tideland to the purchaser of a city pier, structure, or improvement to a pier if no bonded indebtedness remained outstanding, and allow the city to grant the purchaser the right to operate that property for up to 99 years after the purchase. The bill only would apply to the Flagship Hotel in Galveston. The purchaser and the purchaser's heirs, successors, and assigns would have the same right of use and occupancy to the land as was granted to the city under ch. 307. The right to use and occupy the land would revert to the city at the end of that period.
- This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

**SUPPORTERS
SAY:**

SB 673 is needed to support the city of Galveston in its sale of this historic coastal property. The Flagship Hotel in Galveston is in need of serious repairs and improvements, and the city would like to sell the property to a developer for redevelopment. Developers have been uninterested, however, in buying the hotel and investing the money for these improvements when they would have only 34 years of the original 75-year lease to recoup their investment. SB 673 would allow the GLO to grant a 99-year lease to a developer to make this sale possible. The GLO would not be required to grant the lease. If granted, the state would benefit from the continued annual lease payments, and the city would benefit from the investment.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The committee substitute changed the applicability of the statute from a city that borders on the Gulf of Mexico with a population of 60,000 or more (the level in current law) to a city that borders on the Gulf of Mexico with a population of 50,000 or more.

A similar bill in the 76th Legislature, HB 2618 by Gray, was left pending in the House Land and Resource Management Committee.