

FOR THE EXCLUSIVE USE OF VERONICA.PEREZ@TFC.STATE.TX.US

From the Austin Business Journal:

<https://www.bizjournals.com/austin/news/2019/09/12/texas-facilities-commission-boss-mike-novak-wants.html>

Texas Facilities Commission boss Mike Novak wants to sell underperforming assets, bring tech to state agency

Sep 12, 2019, 2:13pm CDT

Editor's note: This is part of a wider story examining state of Texas real estate in downtown Austin. [Go here to see the rest.](#)

Mike Novak is one of the most powerful real estate figures in the state — and one you might not have heard of.

He heads up the Texas Facilities Commission, the state agency that manages about 26 million square feet of office space across Texas. It is in the midst of a major expansion of the Capitol Complex, the part of downtown Austin surrounding the Texas State Capitol. The project has the potential to transform a big chunk of downtown — and cause the state to vacate hundreds of thousands of square feet around the city.

Novak sat down with Austin Business Journal recently for an extensive interview about his hopes for the agency, his work habits and what he needs from the private sector.

Making this moving to the public sector, what's been the biggest change for you?

As a former (Bexar) County commissioner, I understand the public sector and the constraints of government and its structure and processes. However, coming from the private sector, I have become accustomed to moving quickly to engage opportunities that make good business sense. So now, I encourage our team to work through the government process but look for ways to streamline operations to create cost efficiencies while providing better customer service to our constituents.

How do you spend most of your workdays?

I've spent the better part of my short tenure delving into the day-to-day operations of the agency. This thorough review results in meetings that can occupy my calendar. It's important that our employees know that I want there to be a practice of engagement and cross-communication, so we can meet our customers' expectations.

I also walked into this position and right into a legislative session, so using my time management skills was critical. I'll also spend a part of my day working to secure our reputation. We need work every day to develop a stellar reputation for our agency. If I expect our team to meet those expectations, I must do my part, and that sometimes means working harder to tell our story, much like this interview.

What does the business community need to know about the Texas Facilities Commission and its role on the office market?

We are a major employer. We have a lot of projects underway. We have an entire food chain involved in the work that we do. That means materials suppliers, subcontractors, vendors of all sorts, general contractors, construction managers, architects and engineers. It's a significant number of contracts that are let constantly, particularly working with the new generation of work we have with the new work at the Capitol Complex. We create a lot of job opportunities. Having lived and breathed the private sector, economic development is critical for everyone's standard of living. If you want to raise everybody's standard living, it is all about job creation. We are major contributors to economic development.

What do you say to property owners and brokers who say the state constructing its own buildings isn't the best use of taxpayer money? That it costs the state too much to build?



ARNOLD WELLS/STAFF

Mike Novak didn't know what the Texas Facilities Commission was when he was asked by then-Speaker of the House Joe Straus to serve as a board member for the state agency.

The Hobby Building, for example, was built by developers. It wasn't built as a government building. It was built in the '80s, and the state bought it in the '90s. We started putting state agencies in the building. When you look at our portfolio of buildings now, it's not even close. The deferred maintenance costs on that building are outrageous. We have an accumulated deferred maintenance of \$50 million. The Legislature saw that in the last session. That dirt is pure gold underneath the Hobby Building. What I didn't realize until I sat in this chair as executive director, we kept having issues over at that building. I met with a couple of our big tenants over there. I said there is something wrong with this building.

It is an underperforming asset. That building isn't the highest and best use where it is at. What anybody would do in the private sector, they would get rid of underperforming assets. That's where we navigated a bill all the way through the Legislature (to request the building be sold), the governor signed it, and we are going to be turning it over to the General Land Office pretty quick. But, my point is that's the difference between a private sector building and a government building that is built to last for 100 years. That's the reason for the price difference.

What changes do you want to bring to the Texas Facilities Commission during your tenure?

Times change, and times change quick. It seems like technology even in construction changes rapidly. I'm often asked the question from construction professionals of what you see in the horizon as the biggest game changer. I don't even blink, and I saw it's technology. The technology is moving in that industry at lightning speeds where you even have robotics out on the job. When I grew up in the industry, you build a plan table and you had paper plans. The first thing you did is lay the plans out on the table and you figured out how to build it. Anymore, they don't even use paper. Everything is on a tablet. Everything is electronic. You can change things easily. Construction companies who fall behind the curve aren't going to make it. An agency like this, our primary mission is real estate and construction. We need to get up to speed with this. We need to keep pace with what is happening around us in the industry. We need to be, as far as I am concerned, the go-to agency for the state. We need to be the model agency. We need to be the teacher of how to really develop and run a model agency. I think we are ready to move into the new era.

Erin Edgemon
Staff Writer
Austin Business Journal

