

A G E N D A



Recommendation for Council Action (Real Estate)

Austin City Council

Item ID:

60268

Agenda Number

44.

Meeting Date:

August 18, 2016

Department:

Office of Real Estate Services

Subject

Authorize negotiation and execution of a 72-month extension option to the current lease agreement with Cornerstone Holding, LP, for approximately 71,920 square feet of office space for Austin Energy, located at 811 Barton Springs Road, in an amount not to exceed \$19,501,828 (District 9).

Amount and Source of Funding

Funding in the amount of \$336,412 is contingent upon approval of the proposed Fiscal Year 2016-2017 Operating Budget of Austin Energy. Funding for the extension options is contingent upon available funding in future budgets.

Fiscal Note

A fiscal note is not required.

Purchasing
Language:

Prior Council
Action:

April 28, 2011 – Council approved a 72-month lease agreement with a 12-month extension option.

For More
Information:

Jeffery Hill, Austin Energy (512) 505-3726; Lauraine Rizer, Office of Real Estate Services, (512) 974-7078; Amanda Glasscock, Office of Real Estate Services, (512) 974-7173.

Boards and
Commission
Action:

July 18, 2016 – Electric Utility Commission unanimously approved the 12-month extension option.
August 15, 2016 – Five year extension option to be reviewed by the Electric Utility Commission.

MBE / WBE:

Related Items:

Additional Backup Information

Austin Energy has occupied space at 811 Barton Springs Road since 2001. The proposed 72-month extension is for continued use by Austin Energy of 71,920 square feet of office space. The building accommodates approximately 300 employees from several Austin Energy business units including Corporate Quality, Customer Care, Data Analytics and Business Intelligence, Energy Efficiency Services, Engineering, Green Building, Information Technology and Marketing Communications. The lease was necessary to relieve overcrowding at Town Lake Center. The property, being in close proximity to Austin Energy headquarters at Town Lake Center, is strategically located and effective for business needs.

The current lease agreement requires Austin Energy to provide one (1) year advance notice in order to extend the lease agreement by 12 months. The 12-month extension would commence on October 1, 2017 and expires on September 30, 2018. The proposed terms for a 5-year extension option, which was reviewed and approved by the City of Austin Strategic Facilities Governance Team (SFGT), will continue to provide Austin Energy with 71,920 square feet of office space from October 1, 2018 through September 30, 2023.

Annual costs are included in the table below. The variance between the final year in the current lease agreement extension (September 30, 2018) and the proposed lease agreement in year one is \$1,016,230. This is due to today's leasing market being in high demand. A market rent study was conducted in the downtown area and the average cost is currently \$38 to \$59.75 per square feet. This five-year extension will provide Austin Energy time to work with the City of Austin SFGT to identify options to lease, buy or build.

Two-hundred and thirty-nine parking spaces are provided at no cost. The Landlord will provide a tenant improvement allowance of \$7.50 per square foot totaling \$539,400.

The proposed rent schedule for the 12-month extension option as stated per the current lease agreement is as follows:

Year	Base Rent per Rentable Square Feet (RSF)	Estimated Operating Expense per RSF	Total Gross Rental Rate	Total Annual Cost
Current Lease w/12-month extension option	\$18.75	\$12.00	\$30.75	\$2,211,540.00

The proposed rent schedule for the 60-month extension lease agreement is as follows:

Year	Base Rent per Rentable Square Feet (RSF)	Estimated Operating Expense per RSF	Total Gross Rental Rate	Total Annual Cost
One	\$30.50	\$14.38	\$44.88	\$3,227,769.60
Two	\$31.50	\$14.96	\$46.46	\$3,341,403.20
Three	\$32.50	\$15.56	\$48.06	\$3,456,475.20
Four	\$33.50	\$16.18	\$49.68	\$3,572,985.60

	Five	\$34.50	\$16.83	\$51.33	\$3,691,653.60	
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