

A G E N D A



Recommendation for Council Action (Real Estate)

Austin City Council

Item ID:

67487

Agenda Number

14.

Meeting Date:

February 2, 2017

Department:

Office of Real Estate Services

Subject

Authorize the negotiation and execution of a 60-month lease with Texas Optometric Association, Inc. for approximately 2,930 square feet of office space at 1104 West Avenue, Austin, Texas, for the Criminal Prosecution Division of the Law Department, in an amount not to exceed \$543,514.67. (District 9).

Amount and Source of Funding

Funding in the amount of \$84,352.13 is available in the Fiscal Year 2016-2017 Approved Operating Budget of the Law Department. Funding for the remaining lease term is contingent upon available funding in future budgets.

Fiscal Note

A fiscal note is not required.

Purchasing
Language:

Prior Council
Action:

December 15, 2016 – Staff withdrew a Council agenda item for the renewal of the existing lease at 723 East 6th Street.

For More
Information:

Lauraine Rizer, Office of Real Estate Services, (512) 974-7078; Megan Herron, Office of Real Estate Services, (512) 974-5649.

Boards and
Commission
Action:

MBE / WBE:

Related Items:

Additional Backup Information

The Law Department's Criminal Prosecution Division currently leases 3,405 square feet at 723 East 6th Street at a rate of \$7,708.41 per month (\$27.21 per square foot annually). The Division also leases 16 parking spaces from a nearby hotel at a rate of \$169.27 per space per month for employee parking.

In the fall of 2016, the Office of Real Estate Services (ORES) conducted a site visit to the Division's current space and observed evidence of a roof leak and rodent issues. Accordingly, ORES and the Building Services Department arranged for inspections by a roofing contractor and pest control company. Each recommended certain improvements to the facilities prior to the renewal of any lease. As of December 2016, the Landlord had not agreed to make such improvements. On December 5, the central heat at 723 East 6th Street failed, and the building was without heat for three days. Accordingly, on December 13, ORES and the Law Department agreed to withdraw the lease renewal from the December 15 Council agenda and instead searched for alternate space.

The proposed 60-month lease of 2,930 square feet at 1104 West Avenue is a triple-net lease for \$4,883.33 per month (\$20 per square foot annually) for the first year, with 3% annual increases thereafter. Utilities and reimbursements for maintenance, taxes, and insurance expenses are estimated to equal approximately \$12.00 per square foot annually. There is no charge for the exclusive use of the 12 parking spaces on site. In addition, the 1104 West Avenue owner is offering \$10.00 per square foot (\$29,300 total) towards tenant improvements such as new paint, carpet, and lighting. These improvements, as well as new bathroom and kitchen fixtures and the necessary IT installations, are estimated to cost approximately \$70,000 to complete.

The table below illustrates the estimated annual costs for the space.

Lease Term	Monthly Rent	Total Rent	Est. Expenses	Annual Est. Total
03/15/17 – 03/14/18	\$4,883.33	\$58,600.00	\$69,588.60	\$128,188.60
03/15/18 – 03/14/19	\$5,029.83	\$60,358.00	\$38,449.60	\$98,807.60
03/15/19 – 03/14/20	\$5,180.73	\$62,168.74	\$39,912.26	\$102,081.00
03/15/20 – 03/14/21	\$5,336.15	\$64,033.80	\$41,433.42	\$105,467.22
03/15/21 – 03/14/22	\$5,496.23	\$65,954.82	\$43,015.43	\$108,970.25
Total Amount:		\$311,115.36	\$232,399.31	\$543,514.67

The proposed lease includes one option to renew for five years at market rate.

The Strategic Facilities Governance Team reviewed and approved this facility request.

A map of the leased premises attached.