

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	75202	Agenda Number	27.
Meeting Date:	9/28/2017		Department:	Office of Real Estate Services
Subject				
<p>Authorize negotiation and execution of an 84-month lease for approximately 59,494 square feet of office space for the Development Services Department and Austin Energy, at 5202 East Ben White Boulevard, in Austin, Travis County, Texas, from 5204 BEN WHITE 2017, LP, A TEXAS LIMITED PARTNERSHIP, in an amount not to exceed \$10,936,187.34 (District 3).</p>				
Amount and Source of Funding				
<p>Funding in the amount of \$734,909.66 is contingent upon approval of the proposed Fiscal Year 2017-2018 Operating Budget of the Development Services Department. Funding in the amount of \$692,351.40 is contingent upon approval of the proposed Fiscal Year 2017-2018 Operating Budget of Austin Energy. Funding for the remaining 72 months of the original contract period is contingent upon available funding in future budgets.</p>				
Fiscal Note				
<p>A fiscal note is not required.</p>				
Purchasing Language:				
Prior Council Action:				
For More Information:	Rodney Gonzales, Development Services Department (512) 974-2313; Mark Dombroski, Austin Energy, (512) 322-6148; Lauraine Rizer, Office of Real Estate Services, (512) 974-7078; Megan Herron, Office of Real Estate Services, (512) 974-5649.			
Council Committee, Boards and Commission Action:	To be reviewed by the Electric Utility Commission on September 18, 2017.			
MBE / WBE:				
Related Items:				
Additional Backup Information				

The Development Services Department ("DSD") and Austin Energy ("AE") are requesting approval to lease approximately 59,494 total square feet of office space located at 5202 East Ben White Boulevard.

DSD desires to relocate the Site and Subdivision inspection team, Environmental team, the Community Trees function, and the Map Sales function. These teams would be relocated from One Texas Center ("OTC") and St. Elmo Road as an interim measure due to lack of space availability at OTC. With this new lease space, the Site and Subdivisions inspection teams located at OTC and St. Elmo Road would be consolidated into the one location which will improve communication and service delivery for the teams.

With the relocation of the Map Sales function, DSD will have the necessary space to initiate the conversion of paper plans and documents into electronic records. This initiative will have the long-term benefit of reducing on-site and off-site storage and climate control costs, improve online accessibility both for staff and customers, and eliminate the risk of paper documents being damaged or worn out over time.

Through this interim relocation of teams, there will be space available at OTC for new DSD functions and staff while the new facility at the Highland Development is being developed. Once the new facility is completed, DSD will have the space to consolidate all teams as well as the review teams from other partner departments. When DSD moves to the new development, this lease space will provide office space for other City departments.

The proposed new DSD offices will be located on the first floor at 5202 East Ben White, and will be comprised of approximately 30,634 square feet of office space.

AE desires to relocate approximately 100 employees in its Utility Contact Center ("UCC") to the proposed lease space. The UCC is the primary interface between City of Austin utilities and residential and commercial customers. The UCC provides responsive, high-quality customer service including responding to customer inquiries, creating service orders, and setting up payment arrangements. AE and other City utilities are dedicated to serving customer needs in the most efficient manner possible, and consolidating UCC employees into one space will allow for proper workflow and amplified customer care services and customer account management for utility customers. Currently, UCC employees are working in temporary spaces, such as training rooms and conference rooms, at 721 Barton Springs (Town Lake Center), 811 Barton Springs, and 2500 Montopolis (System Control Center). The co-location of UCC staff will increase efficiency, facilitate collaboration, and concurrently clear space needed at the other facilities.

The proposed new UCC offices will be located directly above the proposed new DSD lease space on the second floor of the building at 5202 East Ben White, and will be comprised of approximately 28,860 square feet of office space.

The proposed lease of office space at 5202 East Ben White is approximately 59,494 total square feet. The proposed base rental rate for year one is \$18 per square foot, with annual escalations at \$0.50 per square foot. Annual operating expenses are estimated at \$5.99 per square foot, with projected annual 4% increases over the lease term.

Approximately 237 parking spaces are available to meet the needs of City employees and clients at no additional charge. The landlord shall provide a tenant improvement allowance of \$90.25 per square foot for a total amount of \$5,369,333.50.

The table below illustrates the annual rental costs for the lease space, plus estimated operating expenses such as janitorial, taxes and maintenance expenses over the term of the lease. In addition to the expenses charted below, each department will be responsible for payment of their own utility use, which would include electric, water and gas service through the lease term.

The lease rate is within market rate per a rent study conducted by a third-party appraiser. The Strategic Facilities Governance Team has reviewed and approved this request.

Austin Independent School District, Travis County and Austin Community College do not have office space available at this time.

Development Services Department

Lease Term for 30,634 SF -	Annual Base Rent PSF X SF/YR	Annual Term Base Rent	Estimated Operating Expenses PSF	Estimated Annual OPEX	Annual Base Rent + Estimated OPEX
Year 1	\$18.00	\$551,412.00	\$5.99	\$183,497.66	\$734,909.66
Year 2	\$18.50	\$566,729.00	\$6.23	\$190,849.82	\$757,578.82
Year 3	\$19.00	\$582,046.00	\$6.48	\$198,508.32	\$780,554.32
Year 4	\$19.50	\$597,363.00	\$6.74	\$206,473.16	\$803,836.16
Year 5	\$20.00	\$612,680.00	\$7.01	\$214,744.34	\$827,424.34
Year 6	\$20.50	\$627,997.00	\$7.29	\$223,321.86	\$851,318.86
Year 7	\$21.00	\$643,314.00	\$7.58	\$232,205.72	\$875,519.72
Total Amount					\$5,631,141.88

Austin Energy

Lease Term for 28,860 SF -	Annual Base Rent PSF X SF/YR	Annual Term Base Rent	Estimated Operating Expenses PSF	Estimated Annual OPEX	Annual Base Rent + Estimated OPEX
Year 1	\$18.00	\$519,480.00	\$5.99	\$172,871.40	\$692,351.40
Year 2	\$18.50	\$533,910.00	\$6.23	\$179,797.80	\$713,707.80
Year 3	\$19.00	\$548,340.00	\$6.48	\$187,012.80	\$735,352.80
Year 4	\$19.50	\$562,770.00	\$6.74	\$194,516.40	\$757,286.40
Year 5	\$20.00	\$577,200.00	\$7.01	\$202,308.86	\$779,508.86
Year 6	\$20.50	\$591,630.00	\$7.29	\$210,389.40	\$802,019.40
Year 7	\$21.00	\$606,060.00	\$7.58	\$218,758.80	\$824,818.80
Total Amount					\$5,305,045.46
