

# AGENDA



## Recommendation for Council Action

### AUSTIN CITY COUNCIL

Regular Meeting: May 10, 2018

Item Number: **091**

#### Office of Real Estate Services

Authorize negotiation and execution of a 120-month lease agreement with one option to extend for an additional ten years, for approximately 96,000 square feet of office space for Municipal Court with Met Center Partners-11, Ltd., a Texas Limited Partnership, located at Met Center II, Building 3, 7000 Metropolis Drive, in an amount not to exceed \$31,278,785.

**District(s) Affected:** District 2

<b>Lead Department</b>	Office of Real Estate Services.
<b>Fiscal Note</b>	Funding in the amount of \$2,591,232 for the General Fund Budget of Municipal Court and funding in the amount of \$1,825,000 from the Budget Stabilization Reserve Fund will be included in the FY 2018-19 Proposed Budget. Funding for the remainder 108 months of the original contract period is contingent upon available funding in future budgets.
<b>For More Information</b>	Alex Gale, Office of Real Estate Services, (512) 974-7078; Megan Herron, Office of Real Estate Services, (512) 974-5649; Sherry Statman, Municipal Court, (512) 974-4841; Mary Jane Grubb, Municipal Court, (512) 974-4690.

#### Additional Backup Information:

The proposed lease space located at 7000 Metropolis Drive, Building 3 is comprised of approximately

96,000 square feet of warehouse/office space. The space will be used to office the Austin Municipal Court (AMC) main courthouse employees, the Cherry Creek substation, and the Criminal Prosecution Division of the Law Department.

AMC's main courthouse is located at 700 East 7<sup>th</sup> Street and offices a staff of approximately 148 employees comprised of administrative, judicial and operational positions. The Criminal Prosecution Division is made up of 17 staff members; the Cherry Creek substation is made up of 8 staff members.

The current courthouse was constructed in 1953 and is no longer adequate for staff and customers. There is an insufficient number of offices and courtrooms, lack of circulation space for defendants, witnesses, victims, jurors, and a lack of consultation rooms for prosecution and defense attorneys. A large volume of customers and employees use the court each day. The current building is located in a high crime area. The lack of parking is extremely challenging and is a significant security risk.

Funding for a new main courthouse was approved in the General Obligation (GO) bond election in 2006; however, it was not adequate to cover the expenses associated with construction of a courthouse. Since 2006, four separate efforts involving needs assessments and architectural plans have been developed, paid for by the City and not completed.

The AMC main location has deteriorated to the point that systems failure could cause a long-term closure of the facility at any time. Severe building conditions include leaking roof, poor distribution of heat and air-conditioning, basement flooding, frequent mildew, cracked flooring, mechanical/engineering failures and a disintegrated sewer line. Repair and maintenance issues are frequent and difficult to address due to the asbestos-containing materials located throughout the building.

The proposed lease agreement will provide a stable, safe and healthy environment until permanent facilities are available. The site is accessible by public transportation and provides adequate parking and operational space needed to administer justice in a fair and efficient manner.

AMC will continue to offer off-site court services and will expand the frequency to ensure easier access to judicial and court support resources to citizens in all areas of the City. These services reduce transportation issues, support community outreach and provide higher levels of public service to individuals who have matters pending in the court.

The lease term is ten years with a one ten year extension option. The proposed base rental rate for year one is \$21.50/square foot, with annual escalations of 2.5% per square foot, plus operating expenses of \$5.49/square foot for first year. Operating expenses include common area maintenance, insurance and taxes. The City is responsible for utilities and janitorial services. The landlord is providing a tenant improvement allowance of \$100.00 per square foot for a total of \$9,600,000. The City of Austin shall pay to Landlord \$1,825,000 at the time of move-in toward finish-out.

	<b>Base Rent/psf</b>	<b>Operating Expenses/psf</b>	<b>Annual Rent + Operating Expenses</b>
Year 1	\$21.50	\$5.49	\$2,591,232
Year 2	\$21.67	\$5.71	\$2,663,921
Year 3	\$22.21	\$5.94	\$2,738,744

Year 4	\$22.77	\$6.18	\$2,815,767
Year 5	\$23.34	\$6.43	\$2,895,057
Year 6	\$23.92	\$6.69	\$2,976,685
Year 7	\$24.52	\$6.96	\$3,060,724
Year 8	\$25.13	\$7.24	\$3,147,249
Year 9	\$25.76	\$7.53	\$3,236,337
Year 10	\$33.57	\$7.83	\$3,328,069

The cost per square foot is within the market rate per a rent study conducted by a third-party appraiser. The Austin Independent School District and Travis County do not have this type of space available.

The proposed lease has been reviewed and approved by the Strategic Facilities Governance Team.