

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: June 28, 2018

Item Number: **035**

Office of Real Estate Services

Authorize negotiation and execution of an exclusive negotiation agreement with Catellus Development Corporation for acquisition of approximately 3.3 acres and improvements located at the northeast corner of Philomena Street and Mueller Street in the Mueller Development, and earnest money in an amount not to exceed \$1,000,000.00.

District(s) Affected: District 9

Lead Department	Office of Real Estate Services.
Fiscal Note	Funding is Available in the FY 2018-2019 Operating Budget of Austin Energy.
Prior Council Action	June 18, 2015 - council approved a service contract with CBRE, Inc. on a 10-0 vote. Council Member Houston was off the dais.
For More Information	Greg Canally, Financial Services Department, (512) 974-2609; Alex Gale, Office of Real Estate Services, (512) 974-1416; Megan Herron, Office of Real Estate Services, (512) 974-5649.

Additional Backup Information:

The City is in need of approximately 800,000 to 1.2 million square feet of new administrative space due to overcrowding, end-of-life facilities, and to replace lease space. Austin Energy (AE) currently occupies

space at 721 Barton Springs Rd as well as leased space at 811 Barton Springs Road and other locations in Austin totaling 138,157 square feet of leased space.

In June 2015, the City Council authorized a work authorization with CBRE, Inc. to begin space programming for a variety of City administrative needs, including for Austin Energy administrative needs. Staff provided an update to City Council on March 1, 2016, about additional horizon efforts for facilities including the need for Austin Energy space consolidation due to increasing rents. CBRE solicited proposals from the market via a Request for Proposal process which was completed early in 2018, which this recommendation is a result of the proposals received.

This action is the first of a two-step approval process. The exclusive negotiation agreement (ENA) will allow the City and the developer to establish more detailed specifications, including guaranteed maximum pricing for the acquisition. In addition to the 3.3 acres, the transaction will include approximately 300,000 square feet of office space, parking, and related amenities. The second step of this process is anticipated for December 2018, with bringing a real estate purchase and sale agreement to City Council for approval.

Once the Austin Energy Headquarters is complete, Austin Energy plans to vacate several of their current locations, allowing the City the ability to begin exiting lease space for administrative staff.

Additional results of this agreement would allow for future use or disposition of AE property on East Riverside and the building at 721 Barton Springs.

The Law Department anticipates bringing a separate item forward for an outside counsel contract related to the review and negotiation of the purchase and sale agreement.