

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: August 9, 2018

Item Number: **028**

Office of Real Estate Services

Authorize the negotiation and execution of a 60-month lease agreement, with two one-year extension options, for approximately 11,839 square feet of hangar space and 2,542 square feet of office space for the Austin Police Department with Austin Executive Airport Services, LLC, a Texas Limited Liability Company, said property being located at 6012 Aviation Drive, in an amount not to exceed \$1,029,804.10 (Austin 2-mile ETJ).

Lead Department	Office of Real Estate Services.
Fiscal Note	Funding is contingent upon available funding in the Austin Police Department’s future operating budget.
Prior Council Action	On June 15, 2017, City Council authorized renewals of the helicopter hangar and office space lease at Atlantic Aviation through August 2020. On June 15, 2017, City Council authorized renewals of the fixed-wing T-hangar lease at Signature Flight through December 2020.
For More Information	Alex Gale, Office of Real Estate Services, (512) 974-1416; Megan Herron, Office of Real Estate Services, (512) 974-5649; Troy Gay, Assistant Chief, Austin Police Department, (512) 974-5030.

Additional Backup Information:

The Austin Police Department (APD) Air Operations Unit (the "Unit") owns and operates three helicopters and one fixed-wing aircraft. The aircraft are currently situated at two different leased facilities, and the Unit is in temporary leased space. This item would bring all of the Unit's personnel and equipment underneath one roof, in a secure, purpose-built facility.

APD Helicopter and Office Temporary Leases at Austin Executive Airport

APD currently leases temporary space at Austin Executive Airport (AEA) for its helicopters and the Unit. From July 2010 until May 2018, APD leased 1,200 square feet of office space and 2,500 square feet of hangar space from Atlantic Aviation, located at 4309 Emma Browning Avenue at Austin-Bergstrom International Airport (ABIA), for the storage of its helicopters and the offices of its Air Operations Unit. Atlantic Aviation operates the hangars and a private terminal at ABIA under a Master Lease agreement with the City of Austin's Department of Aviation. As of May 2018, APD was paying \$2,760 per month for the office space and helicopter hangar space at Atlantic Aviation.

However, in March 2018, the Office of Real Estate Services (ORES) received a 60-day termination notice from Atlantic Aviation, who desired to replace APD with a private tenant who could pay substantially more for the leased space. The only other available hangar space in Austin was at AEA. Accordingly, on May 8, APD relocated its three helicopters into 2,568 square feet of shared hangar space and its equipment into 312 square feet of storage space at AEA, and on June 1, APD relocated the Unit to 395 square feet of temporary office space on the second floor of the AEA terminal. The temporary hangar lease at AEA is for one year, at \$2,000 per month. The storage and office leases are month-to-month leases, for \$500 per month and \$985 per month, respectively. Thus, APD is currently paying \$3,485 per month for the temporary space, plus fuel costs.

APD Fixed-Wing Aircraft Lease at Signature Flight

APD also leases 1,390 square feet of T-hangar space from Signature Flight, located at 4321 Emma Browning Avenue at ABIA, for the storage of its fixed-wing aircraft. The City has leased the hangar space since May 2002. Signature Flight operates the hangars and a private terminal at ABIA under a Master Lease agreement with the Department of Aviation. As of August 2018, APD is paying \$509.11 per month for the T-hangar at Signature Flight, and the current lease term expires December 31, 2018.

Proposed Lease at AEA for All APD Aircraft

ORES has been assisting APD with its search for a more-permanent space for its aircraft and the Unit. AEA has offered to lease the City a stand-alone hangar for APD that it intends to construct this fall. The proposed hangar would measure 100'4"x 118'(11,839 square feet), with 18-foot-tall doors, which would allow APD to terminate its temporary leases and its lease at Signature Flight in order to co-locate its helicopters and fixed-wing in one secure location. Adjacent to the hangar, AEA would construct 2,542 square feet of office space for both the Unit and APD's K-9 Unit, the colocation of which would provide operational efficiencies for APD's Special Operations Division. There is room adjacent to the offices for eleven parking spaces, and APD would have exclusive use of an additional 12,500 square feet of the ramp. The hangar would be delivered turn-key, with an anticipated occupancy at the beginning of 2019. A map of the location is attached.

The proposed initial rate for the stand-alone APD hangar is \$8,900 per month (approx. \$7.43 psf annually). APD would also reimburse AEAS for the property taxes on the improvements and basic property management services, estimated at \$2,231 per month for 2019 (approx. \$1.86 psf annually).

The total lease cost would thus be \$11,131 per month (\$9.29 psf annually) for 2019, with 3% annual escalations thereafter. The proposed term is for five years, and the City would have two (2) one-year extension options, for a total potential term of seven years. The table below illustrates the annual real estate costs for the lease space, including the estimated operating expenses of property taxes and basic property management.

	Approx. Base Rent/psf*	Approx. Operating Expenses/psf**	Monthly Rent and Operating Expenses	Annual Rent + Operating Expenses
Year 1	\$7.43	\$1.86	\$ 11,131.00	\$ 133,572.00
Year 2	\$7.65	\$1.94	\$ 11,487.24	\$ 137,846.88
Year 3	\$7.88	\$2.01	\$ 11,855.06	\$ 142,260.72
Year 4	\$8.12	\$2.09	\$ 12,234.84	\$ 146,818.10
Year 5	\$8.36	\$2.18	\$ 12,626.98	\$ 151,523.79
Year 6 (option)	\$8.61	\$2.26	\$ 13,031.89	\$ 156,382.70
Year 7 (option)	\$8.87	\$2.36	\$ 13,449.99	\$ 161,399.91
Total				\$ 1,029,804.10

* Approximately 3% annual escalations ** Assuming approximately 4% annual escalation

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