

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: October 4, 2018

Item Number: **010**

Office of Real Estate Services

Authorize negotiation and execution of a 21-month lease extension for approximately 14,327 square feet of office space for the Public Works Department with BYWELL I, LTD., a Domestic Limited Partnership, said property being located at 105 West Riverside Drive, Suites 100, 200, 205, 210 and 220, in amount not to exceed \$515,844.

District(s) Affected: District 9

Lead Department	Office of Real Estate Services.
Fiscal Note	Funding in the amount of \$267,390 is available in the Fiscal Year 2018-2019 Approved Operating Budget of the Public Works Department. Funding for the remaining lease is contingent upon available funding in future budgets. A fiscal note is not required.
Prior Council Action	<p>June 21, 2007 - Council approved 60-month new lease on Suite 200.</p> <p>March 25, 2010 - Council approved an 18-month lease extension on Suite 220.</p> <p>July 29, 2010 - Council approved a 4,095 sq. ft. expansion to the Suite 200 lease known as Suites 205 and 210.</p> <p>April 5, 2012 - Council approved a 36-month new lease on Suite 100.</p> <p>April 5, 2012 - Council approved a 24-month lease extension for Suite 220.</p> <p>December 12, 2013 - Council approved 24-month lease extension for Suite 220.</p> <p>October 15, 2015 - Council approved a 38-month lease extension for all 14,327 square feet of Suites 100, 200, 205, 210, and 220, combined</p>

	into one lease.
For More Information	Alex Gale, Office of Real Estate Services, (512) 974-1416; Megan Herron, Office of Real Estate Services, (512) 974-5649; Richard Mendoza, Public Works Department (512) 974-7190.

Additional Backup Information:

The Public Works Department currently occupies 14,327 square feet at 105 West Riverside Drive, adjacent to One Texas Center. The space is currently occupied by the Systems and Information Management, Construction Services, Quality Management, and Standards Management Divisions of the Public Works Department, as well as its Human Resources and Safety Offices. The City holds an option to extend the lease through July 31, 2020 (21 months), but such an extension requires additional authorization by Council.

The proposed extension will extend the lease for the combined 14,327 square feet, for a period commencing November 1, 2018, and expiring July 31, 2020. The proposed base rent is \$20.36 per square foot from November 1, 2018 - October 31, 2019 (12 months). The base rent will increase to \$20.86 per square foot annually (a 2.5% increase) for period from November 1, 2019 - July 31, 2020 (9 months). The base rent includes all operating expenses such as property taxes, insurance, utilities, janitorial expenses, repairs, maintenance and parking. The proposed rent schedule is as follows:

Lease Term	Annual Base Rent PSF	Annual Operating Expenses PSF	Total Rent	Monthly Rent
11/1/18 - 10/31/19	\$ 20.36	\$ 0.00	\$ 291,698	\$ 24,308.14
11/1/19 - 07/31/20	\$ 20.86	\$ 0.00	\$ 224,146	\$ 24,905.10
		Total	\$ 515,844	

The lease extension rate is within the market rate per a fair market rent study. This lease extension has been reviewed and approved by the Strategic Facility Governance Team.

City-owned space is the preferred recommendation for a location of City Departments, including the possibility of purchasing new City facilities. Due to immediate need and the difficulty of purchases or building in the current economic environment, a lease with a competitive market rental is generally the only immediately available option. This lease is necessary due to the lack of office space in City-owned facilities. We continue to work with our development advisor, CBRE, on a lease exit strategy which will provide a plan on utilizing our existing city-owned facilities and continued pursuits using the P3 model. As the end of the lease term for the facility approaches, this analysis and space planning work will be utilized to move towards finding a long-term solution.

