



Recommendation for Action

File #: 19-1285, **Agenda Item #:** 13.

3/7/2019

Posting Language

Authorize negotiation and execution of a 60-month lease agreement with CCI-Burleson I, a Texas Limited Partnership, for approximately 216,908 square feet of office space for several City departments at the Bergstrom Tech Center, Building 310 and Building 312, located at 6800 Burleson Road, with one five-year extension option, in an amount not to exceed \$38,849,923.

Lead Department

Office of Real Estate Services.

Fiscal Note

Funding in the amount of \$566,424 is available in the FY 2018-19 Public Works Department's Operating Budget. Funding for the remaining 56 months of the original contract period is contingent upon available funding in future budgets, as well as future funding for all other Departments.

For More Information:

Alex Gale, Office of Real Estate Services, (512) 974-7078; Megan Herron, Office of Real Estate Services, James Snow, Public Works Department, (512) 974-9795, Stephen Elkins, Communications & Technology Management, (512) 974-1644, Jennifer Walls, (512) 974-1795, Sam Angoori, (512) 974-4313.

Additional Backup Information:

Authorize the negotiation and execution of a 60 month lease agreement, with one option for an additional five years, for approximately 216,908 square feet of office space for collocation of several City departments including Public Works Department (PWD), Communications & Technology Management (CTM), Fleet Services Department (Fleet), Austin Resource Recovery (ARR), and others with CCI-Burleson I, a Texas Limited Partnership, at the Bergstrom Tech Center, Building 310 and Building 312, located at 6800 Burleson Road, in an amount not to exceed \$38,849,923. (District 2).

The proposed lease space is located at 6800 Burleson Road, Austin, TX 78744 and is comprised of approximately 216,908 square feet of office space. The office space will be used to accommodate several City departments with current space shortages, workstations for new hires, and space from expiring leases that we are unable to renegotiate renewals, and until a new city-owned facility can be built.

Collocating and executing a single lease agreement instead of several individual leases will result in significant savings to the City and will address current space needs until city-owned facilities are available. Our development advisor, CBRE, supports this proposed lease while still analyzing data for the occupancy study they are performing. The advisor recognizes this immediate need in its current plan under development on utilizing our existing city-owned facilities, as well as any new administrative space needs that could be pursued using our existing P3 model.

This property includes multiple suites that will be leased-out individually for 60 months each at different times. The City will pay rent only for suites at occupancy regardless of the lease commencement date. During the current fiscal year PWD, as the anchor tenant, will lease two suites. The remaining suites will be available for occupancy in the next fiscal

year. The individual suites' square footages and availability are as follows:

Building	Suite No.	RSF	Department	Occupancy & Commencing of Rent Payments	Monthly Rent and Operating Expenses
312	200	30,811	PWD	06/01/2019	\$88,428
312	225	18,529	PWD	06/01/2019	\$53,178
312	165	24,281	Fleet	10/01/2019	\$69,687
312	250 A	27,000	PWD	10/01/2019	\$77,490
312	250 B	32,250	CTM	10/01/2019	\$92,558
Sub-Total		132,871			
310	195	25,132	ARR	02/01/2020	\$73,218
310	170	4,257	Expiring Leases	02/01/2020	\$12,402
310	295	23,486	Expiring Leases	02/01/2020	\$68,423
310	285	31,162	Expiring Leases	02/01/2020	\$90,785
Sub-Total		84,037			
Total		216,908			

The lease term is five years with a one five year extension option. The proposed total rental rate for year one is \$27.00 per square foot, with annual escalations of 1.0%, plus average operating expenses of \$7.64 for the first year. The proposed total rent includes \$21.75 per square foot base rent, plus \$3.25 FF&E allowance and \$2.00 build-out allowance per square foot. The building 310 actual operating expenses are \$7.44 per square foot, and building 312 operating expenses are \$7.96 per square foot. Operating expenses are a triple-net lease, and include common area maintenance, property taxes, insurance, janitorial, repairs, maintenance, parking lot maintenance, landscaping, life safety, and all utilities. The Landlord shall deliver the facility turn-key. The Landlord is providing at no additional cost fifty (50) secured parking spaces, and an additional eight hundred (800) unsecured parking spaces.

Term	Total Rent 216,908 SF (1.0% Annual Escalations)	Avg. Operating Expenses 216,908 SF (4% Annual Escalations)	Total Annual Rent and Operating Expenses	Monthly Rent and Operating Expenses
Year 1	\$5,856,516	\$1,657,177	\$7,513,693	\$626,141
Year 2	\$5,915,081	\$1,723,464	\$7,638,545	\$636,545
Year 3	\$5,974,232	\$1,792,403	\$7,766,635	\$647,220
Year 4	\$6,033,974	\$1,864,099	\$7,898,073	\$658,173
Year 5	\$6,094,314	\$1,938,663	\$8,032,977	\$669,415
Total			\$38,849,923	

The cost per square foot is within the market rate per a rent study conducted by a third-party appraiser. Austin

Independent School District and Travis County were contacted and did not have any suitable space at this time.

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, and upcoming lease termination in City-leased facilities.

This proposed collocation lease has been approved by the Strategic Facility Governance Team.