



Recommendation for Action

File #: 21-3392, **Agenda Item #:** 25.

11/18/2021

Posting Language

Authorize negotiation and execution of a sixth amendment to the Lease Agreement extending with Eleven East Corp., a Texas non-profit corporation, for the City to occupy property at the Street-Jones Building, located at 1000 E. 11th St., Suite 200, for an amended term of 84 months for approximately 26,456 square feet of office space associated with 73 parking spaces, in an amount not to exceed \$10,743,463.

Lead Department

Office of Real Estate Services.

Fiscal Note

Funding for the lease term is contingent upon available funding in future budgets.

Prior Council Action:

January 31, 2002 - Approved amending Resolution No. 020131-38 to allow the lease negotiation of the contract to be brought back to Council.

February 7, 2002 - Council approved a 120-month lease for 22,000 square feet of office space.

January 29, 2004 - Council approved a lease amendment authorizing an additional 4,546 square feet of office space.

June 24, 2004 - Council approved a lease amendment increasing the amount to reimburse ARA for finish-out expenses.

June 28, 2012 - Council approved a lease amendment extending the lease for 120-month.

For More Information:

Megan Herron, Office of Real Estate Services, 512-974-5649; Michael Gates, Office of Real Estate Services, 512-974-5639, Rosie Truelove, Housing and Planning Department, 512-974-3064.

Council Committee, Boards and Commission Action:

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Additional Backup Information:

Authorize the negotiation and execution of a sixth amendment to the lease agreement extending the term for 84 months for approximately 26,456 square feet of office space and associated 73 parking spaces at the Street-Jones Building, located at 1000 E. 11th St., Suite 200, with Eleven East Corp., a Texas non-profit corporation, in an amount not to exceed \$10,743,463.

The East 11th and 12th Streets Urban Renewal Plan (the "URP"), dated December 17, 1999, outlined the redevelopment and revitalization of the East 11th and 12th Streets Urban Renewal Area within the East 11th and 12th Street corridors that led to a sustained, improved and culturally rich area.

In 1999, the Urban Renewal Agency of the City of Austin and the non-profit corporation, Austin Revitalization Authority (ARA) entered into an Acquisition, Development and Loan Agreement that identified the roles and responsibilities of the City, Urban Renewal Agency, and ARA as it related to the redevelopment activities of the URP area. Since the adoption of the 1999 URP, the development and construction of the Street-Jones Building and Snell Building located on E. 11th St was completed, consisting of approximately 57,000 square feet of office and ground-floor retail space.

The City has been leasing office space at the Street-Jones Building from ARA since 2004. Eleven East Corp. is an affiliate of ARA. It commonly operates exclusively to hold title to real estate and collect rent and other income on behalf of ARA.

On January 31, 2002, Council approved amending Resolution No. 020131-38 to allow the lease negotiation of the contract to be brought back to Council. On February 7, 2002, Council authorized a 120-month lease of approximately 22,000 square feet of the Street-Jones Building office space for the Neighborhood Housing and Community Development Department from ARA.

On January 29, 2004, Council further authorized an additional 4,546 square feet of office space, for a total leased premises of 26,546 square feet, to be added to the lease through an amendment.

On June 24, 2004, Council authorized an amendment to the lease to increase the reimbursable amount to ARA for the expenses associated with finish-out to upgrade the building's mechanical and security system and to complete other City finish-out improvements to make the facility ready for move-in.

The development of the Street-Jones Building was completed in July 2004. The lease commencement date began on August 1, 2004 and expired on December 31, 2014.

In October 2006, the leased premise was reduced by 90 square feet to accommodate the installation of an exhaust fan on the second and third floors for a new tenant, decreasing the leased premise from 26,546 square feet to 26,456 square feet.

On June 28, 2012, Council approved an amendment extending the lease for an additional 120 months.

On October 1, 2020, Neighborhood Housing and Community Development and Planning and Zoning Department merged into the Housing and Planning Department (HPD). Presently HPD occupies the entire 26,456 square feet.

The proposed amendment will extend the lease for an additional 84 months. The extension will commence January 1, 2025, and will expire December 31, 2031. Eleven East Corp. is providing rent concessions for the current lease and extension, lowering the year ten base rental rate of the current lease to \$30.97 from \$32.06 per square foot, saving \$28,837, and keeping the base rental rate for year one of the extension at the same rate, with 3% annual escalations for the remainder of the term. Freezing the rental rate for the first year of the extension saves \$413,243. As an additional incentive to extend the lease, East Eleven Corp. is providing City improvement allowance at \$14 per square foot, for a total amount of \$370,384.

In addition to base rent, City pays its pro-rata share of operating expense and will continue to pay for 73 parking spaces. The operating expenses are currently estimated at \$15.75 per square foot and are projected to increase by 5% annually; thus the first year of the extension is estimated to start at \$19.15 per square foot. The parking space fees are currently at \$55.00 per month per space. The parking rate may be adjusted on an annual basis provided that the parking appraisal is conducted by a certified real estate appraiser and it supports the adjustment. All costs associated with the parking appraisal shall be the responsibility of Eleven East Corp.

The cost per square foot is within the market rate per a rent study conducted by an appraiser.

Proposed 84 Month Extension Starting Base Rent		
Year One (1/1/25 - 12/31/25)	Base Rent/SF/Yr	Total Base Rent (with 3% Annual Escalations)
If Base Rent Starts at 3% Increase from Original Year Ten of Current Lease of \$32.06	\$33.02	\$6,693,103
Proposed Base Rent Starts at Reduced Year Ten of \$30.97 (see above)	\$30.97	\$6,279,861
Lease Extension Savings		\$413,243

Current Lease Proposal		
Year Ten (1/1/24 - 12/31/24)	Base Rent/SF/Yr	Total Base Rent
Original Base Rent	\$32.06	\$848,179
Proposed Reduce Base Rent	\$30.97	\$819,342
Current Lease Savings		\$28,837

Proposed 84 Months Extension Rent Schedule						
Rent Schedule	Annual Base Rent/SF	Annual Base Rent	Estimated Annual Operating Expense/SF	Estimated Annual Operating Expense	Estimated Annual Parking	Annual Base Rent + Annual Operating Expense + Parking
1/1/25 - 12/31/25	\$30.97	\$819,342	\$19.15	\$506,632	\$48,180	\$1,374,155
1/1/26 - 12/31/26	\$31.90	\$843,946	\$20.11	\$532,030	\$48,180	\$1,424,157
1/1/27 - 12/31/27	\$32.86	\$869,344	\$21.12	\$558,751	\$48,180	\$1,476,275
1/1/28 - 12/31/28	\$33.85	\$895,536	\$22.18	\$586,794	\$48,180	\$1,530,510
1/1/29 - 12/31/29	\$34.87	\$922,521	\$23.29	\$616,160	\$48,180	\$1,586,861
1/1/30 - 12/31/30	\$35.92	\$950,300	\$24.45	\$646,849	\$48,180	\$1,645,329
1/1/31 - 12/31/31	\$37.00	\$978,872	\$25.67	\$679,126	\$48,180	\$1,706,178
Total						\$10,743,463

Strategic Outcome(s):

Economic Opportunity & Affordability.