



Recommendation for Action

File #: 22-1652, Agenda Item #: 14.

4/21/2022

Posting Language

Authorize negotiation and execution of an amendment to the agreement with David B. Edelman, to lease approximately 8,000 square feet of warehouse and office space for Austin Energy's meter shop, located at 4122 Todd Lane, for a 24-month term with two additional 1-year extension options, in an amount not to exceed \$535,520.

Lead Department

Financial Services Department.

Fiscal Note

Funding in the amount of \$117,120 is available in the Fiscal Year 2021-2022 Operating Budget of Austin Energy. Funding for the remaining lease term is contingent upon available funding in future budgets.

Prior Council Action:

November 30, 1995 - Council approved original lease agreement for Health and Human Services Department, Vector Control Program, per Resolution No. 951130-24;

November 9, 2000 - Council approved lease renewal, per Resolution No. 001109-11;

September 1, 2005 - Council approved lease renewal;

November 16, 2006 - Council approved lease renewal;

November 8, 2007 - Council approved lease renewal;

September 25, 2008 - Council approved lease renewal;

February 11, 2010 - Council approved lease renewal;

April 13, 2017- Council approved a 60-month lease renewal.

For More Information:

Diana Justice, Financial Services Department, (512) 974-7170; Michael Gates, Financial Services Department, (512) 974-5639; Greg Warren, Austin Energy, (512) 322-6172.

Council Committee, Boards and Commission Action:

March 20, 2017 - Recommended by the Electric Utility Commission on a vote of 6-0, with Chair Hadden and Commissioner Biedrzycki absent, and with three vacancies.

April 11, 2022 - The Electric Utility Commission will review the proposed 24-month lease amendment.

Additional Backup Information:

In April 2015, Austin Energy ("AE") assumed the warehouse and office lease at 4122 Todd Lane, previously occupied by the Health and Human Services Department's Vector Control Program. On April 13, 2017, the

lease was amended for an additional 60 months.

This proposed lease amendment is needed to support AE's mission until a new warehouse facility is built. A new facility should be completed within 3 to 4 years. AE will not use the extension options if the new facility is available sooner. The continued leasing of the warehouse at 4122 Todd Lane will allow AE to continue to receive new meters, store inventory, refurbish meters, retire old meters, and work on special projects until a new facility is constructed. The meter shop's responsibility is to ensure that they will deliver accurate reads for consumption usage when each meter is installed in the field.

The table below illustrates the proposed annual rental costs and estimated operating expenses. After the first year, the base rent will be adjusted annually by the Consumer Price Index for All Urban Consumers (CPI-U) as reported by the U.S. Bureau of Labor Statistics. The current 12-month CPI-U increase was 7.5%*, and the future increases are estimated at 10% annually.

The proposed rental cost per square foot is within the market rate per a rent study conducted by a third-party appraiser. In addition to the monthly rent, AE will be responsible for utilities, taxes, and insurance. The operating expenses are estimated to increase 10% per year.

Base Term

Year	Rent Schedule:	Base Rent Per SF/Year	Annual Rent	Estimated OpEx Per SF/Year	Annual OpEx	Total Annual Rent + OpEx
1	05/01/2022-04/30/2023	\$12.00	\$96,000	\$2.64	\$21,120	\$117,120
2	05/01/2023-04/30/2024	\$12.90*	\$103,200*	\$2.90	\$23,200	\$126,400
Extension Option Periods						
3	05/01/2024-04/30/2025	\$14.19	\$113,520	\$3.19	\$25,520	\$139,040
4	05/01/2025-04/30/2026	\$15.61	\$124,880	\$3.51	\$28,080	\$152,960
Total Annual Rent + OpEx = \$535,520						

Strategic Outcome(s):

Government that Works for All.