

AGENDA



Thursday, November 8 2007

Public Works

Item No. 38

RECOMMENDATION FOR COUNCIL ACTION

Subject: Approve the negotiation and execution of an 84-month lease renewal for 8,850 square feet of office and laboratory space for the Laboratory Services Division of the Austin Water Utility, located at 14050 Summit Drive, Suite 121, from EQUASTONE AUSTIN I, L.P., Austin TX, in an amount not to exceed \$931,102.32.

Amount and Source of Funding: Funding is available in the Fiscal Year 2007-2008 Operating Budget of the Austin Water Utility. Funding for the lease term period is contingent upon available funding in future budgets.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Dean Harris 974-7061, Miriam Mora 972-1410, Laura Bohl 974-7064.

Boards and Commission Action: Recommended by the Water and Wastewater Commission.

Prior Council Action: Original lease approved August 1, 2002.

The City has occupied this water quality testing laboratory space since May 31, 2003, with the current lease expiring May 30, 2010. Early renewal will extend the lease term through May 30, 2017. The lease space is uniquely suitable for the specialized water laboratory. Relocating the laboratory into other lease space would take approximately two years to find, plan and finish out a comparable facility. The finish out expense, combined with rental costs could result in a substantial increase in total lease costs. A recent market search did not reveal any such space being widely marketed in Austin at this time. Early renewal will therefore ensure the City's use and occupancy through 2017. Staff will continue to search for a permanent site for the AWU lab.

Early renewal also includes a \$17,000 allowance to be provided by the owner for energy efficiency improvements. The City is separately responsible for utilities and interior maintenance. The landlord is responsible for the roof, foundation, and exterior walls.

The current rental rate is \$0.84 per square foot per month and the proposed rate structure begins in 2010 at \$0.85 per square foot per month. Estimated expenses are projected to be approximately \$0.31 per square foot per month in 2010, the first year of the renewal and have been increased at 3% annually. The base rent and annual projected operating expenses including taxes, insurance and common area maintenance for the full lease term as shown on the attachment.