

## AGENDA



Thursday, January 31, 2008

**Public Works  
RECOMMENDATION FOR COUNCIL ACTION****Item No. 45**

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**Subject:** Approve the negotiation and execution of a 60-month lease renewal for 8,850 square feet of office and laboratory space for the Laboratory Services Division of the Water Utility Department, located at 14050 Summit Drive, Suite 121, from EQUASTONE AUSTIN I, L.P., Austin TX, in an amount not to exceed \$671,546.64.

**Amount and Source of Funding:** Funding is available in the Fiscal Year 2007-2008 Operating Budget of the Water Utility Department. 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, Robin Field 974-7064, Miriam Mora 972-1410.

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

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

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The City of Austin has occupied this water quality testing laboratory space since May 31, 2003. The current lease expires May 30, 2010. This early renewal would extend the lease term through May 30, 2015. An early lease renewal minimizes the risk of an unplanned relocation of the laboratory. While such space might be available in the future, a recent market search failed to identify a comparable space in the current Austin market. Relocating the specialized laboratory function into other lease space would take a minimum of two years to select, plan and finish out a facility, with the associated high costs of laboratory finish out. A forced relocation would likely result in a substantial increase in total lease cost over those negotiated herein.

The current rental rate is \$0.84 per square foot per month and the proposed rate structure begins in 2010 at \$0.89 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 are shown below. The City is separately responsible for utilities and interior maintenance. The landlord is responsible for the roof, foundation and exterior walls. A \$17,000 allowance will also be provided by the owner for energy efficiency improvements.

A five-year extension option at then-current market rates is also included in the proposed terms. Should the nonappropriation clause be exercised, the City would be responsible for repayment of the remaining unamortized amount from the \$17,000 allowance and transaction costs incurred as part of the renewal.