

A G E N D A



RCA	Austin City Council	Item ID	5714
Meeting Date:	4/28/2011	Department:	Austin Energy

Subject

Authorize negotiation and execution of a 72-month lease for 73,487 square feet of office space at 811 Barton Springs Road with T-C Barton Springs LLC for an amount not to exceed \$12,400,931.

Amount and Source of Funding

Funding is contingent upon available funding in future budgets.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:

Prior Council Action: August 9, 2001 and May 27, 2004 – Approved original leases; July 24, 2008 – Approved lease amendments and ratified previous lease amendments.

For More Information:

Pat Alba, Chief Administrative Officer, 322-6066.

Boards and Commission Action:

Recommended by the Electric Utility Commission.

MBE / WBE:**Related Items:**

Additional Backup Information

Austin Energy has occupied space at 811 Barton Springs Road (811) since 2001 under a lease that expires on October 31, 2011. Austin Energy recommends entering into a new lease for 73,497 square feet of office space at this location to include the 49,911 square feet of office space Austin Energy currently occupies, and an additional 23,576 square feet of office space. This lease is necessary to relieve over crowding at the Town Lake Center (TLC) building and to accommodate the return next year of Austin Energy employees temporarily assigned to a Steck Avenue facility for the Customer Care and Billing project.

The space currently occupied at 811 accommodates several Austin Energy mission critical and strategic activities such as Engineering and Power Production, MAXIMO (the city-wide inventory management system), as well as Energy Efficiency, Renewable Power Generation, Green Building, Customer Care, and Marketing Communications.

Based upon a recently completed Austin Energy assessment of lease and purchase options in the Austin office market, Austin Energy recommends entering into a new lease at 811 for several reasons: 1) market research indicates

the base rate of the new lease is competitive in the downtown Austin office market; 2) 811 is in close proximity to Austin Energy headquarters at TLC; 3) an office relocation would be disruptive to mission critical activities; 4) relocation would require a significant expenditure to recreate the IT and Security infrastructure already established at 811; 5) it would relieve over crowding at TLC; and 6) the new 811 lease allows Austin Energy time to identify, purchase, and transition into an owned facility as suggested in the recently completed Austin Energy Facilities Master Plan.

Austin Energy is requesting authorization to negotiate and execute a 72-month lease of 73,487 square feet. The new lease would commence on October 1, 2011 and end on September 30, 2017.

The table below illustrates projected rental costs, including an estimated pass-through of approximately \$12 per square foot annually of operating expenses such as utilities, janitorial, and maintenance, over the term of the new lease. The new lease will also include a space improvement allowance of \$12 per square foot. This means the landlord will provide services within the allowance that can include layout design or areas to be occupied, construction improvements such as the placement or removal of walls and the provision and installation of cubicles.

NEW LEASE AT 811 BARTON SPRINGS ROAD:

Year	Base Rent per RSF	Estimated Operating Expense per RSF	Gross rental rate	Total RSF	Annual Cost
1	\$14.25	\$12.00	\$26.25	73,487	\$1,929,033.75
2	\$15.00	\$12.00	\$27.00	73,487	\$1,984,149.00
3	\$15.75	\$12.00	\$27.75	73,487	\$2,039,264.25
4	\$16.50	\$12.00	\$28.50	73,487	\$2,094,379.50
5	\$17.25	\$12.00	\$29.25	73,487	\$2,149,494.75
6	\$18.00	\$12.00	\$30.00	73,487	\$2,204,610.00
Total cost over primary lease term:					\$12,400,931.25