

## A G E N D A



## Recommendation for Council Action (Real Estate)

Austin City Council	Item ID:	47791	Agenda Number	20.
Meeting Date:	August 20, 2015			
Department:	Office of Real Estate Services			
Subject				
Authorize negotiation and execution of a 120-month lease renewal with BT1 AUSTIN LLC for 8,850 square feet of office and laboratory space for the Laboratory Services Division of the Austin Water Utility Department, located at 14050 Summit Drive, Suite 121, Austin, Texas, in an amount not to exceed \$1,474,793.50 (District 7).				
Amount and Source of Funding				
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.				
Purchasing Language:				
Prior Council Action:	January 31, 2008 – Council approved lease renewal. August 1, 2002 – Council approved original lease.			
For More Information:	Selvi Mohamed, Austin Water Utility, (512) 972-1465; Augustine Cancino, Austin Water Utility, (512) 972-0344; Lauraine Rizer, Office of Real Estate Services, (512) 974-7078; Amanda Glasscock, Office of Real Estate Services, (512) 974-7173.			
Boards and Commission Action:	August 12, 2015 - Recommended by the Water and Wastewater Commission on a vote of 9-0. Recommendation No. 20150812-D6			
MBE / WBE:				
Related Items:				
Additional Backup Information				

The Austin Water Utility Department has occupied this water quality testing laboratory space of 8,850 square feet, located in Council District 7, since May 2003. The total finish out cost paid by the City was approximately \$153,000. The current lease expired May 31, 2015. Austin Water Utility is requesting a 120-month lease renewal, commencing June 1, 2015 and expiring May 31, 2025.

The proposed lease renewal rate for year one is \$11 per square foot and increases annually \$0.30 per square foot. The City is responsible for its share of operating expenses, which includes property taxes, property insurance and common area maintenance. The current operating expense is \$3.72 per square foot; it is projected to increase 3% annually. The tables below illustrate rental costs and projected operating expenses, totaling \$1,474,793.50.

#### **BASE RENT**

<b>Year</b>	<b>Rate/SF/YR</b>	<b>Annual</b>
June 2015 - May 2016	\$11.00	\$97,350.00
June 2016 - May 2017	\$11.30	\$100,005.00
June 2017 - May 2018	\$11.60	\$102,660.00
June 2018 - May 2019	\$11.90	\$105,315.00
June 2019 - May 2020	\$12.20	\$107,970.00
June 2020 - May 2021	\$12.50	\$110,625.00
June 2021 - May 2022	\$12.80	\$113,280.00
June 2022 - May 2023	\$13.10	\$115,935.00
June 2023 - May 2024	\$13.40	\$118,590.00
June 2024 - May 2025	\$13.70	\$121,245.00
<b>Total</b>		<b>\$1,092,975.00</b>

#### **OPERATING EXPENSES**

<b>Year</b>	<b>Rate/SF/YR</b>	<b>Annual</b>
June 2015 - Dec 2015	\$3.72	\$19,204.50
Jan 2016 - Dec 2016	\$3.83	\$33,895.50
Jan 2017 - Dec 2017	\$3.94	\$34,869.00
Jan 2018 - Dec 2018	\$4.06	\$35,931.00
Jan 2019 - Dec 2019	\$4.18	\$36,993.00
Jan 2020 - Dec 2020	\$4.31	\$38,143.50
Jan 2021 - Dec 2021	\$4.44	\$39,294.00
Jan 2022 - Dec 2022	\$4.57	\$40,444.50
Jan 2023 - Dec 2023	\$4.71	\$41,683.50
Jan 2024 - Dec 2024	\$4.85	\$42,922.50
Jan 2025 - May 2025	\$5.00	\$18,437.50
<b>Total</b>		<b>\$381,818.50</b>

As part of the renewal agreement, the landlord shall replace the tenant's existing rooftop heating, ventilation and air conditioning (HVAC) package systems with new HVAC systems for an approximate cost of \$80,000, at no cost to the City. In addition, the landlord will provide \$6 per square foot for tenant improvement allowance, not to exceed \$53,100.

The lease renewal rate is within the market rate per a rent study conducted by a third-party appraiser. This lease renewal has been reviewed and approved by the Strategic Facilities Governance Team.