

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: June 14, 2018

Item Number: **028**

Office of Real Estate Services

Authorize negotiation and execution of a 84-month lease agreement for approximately 102,301 square feet of office space and 5,000 square feet of storage space for the Austin Code Department, Economic Development Department, and Human Resources Department with 5204 Ben White 2017, LP, a Texas Limited Partnership, located at 5202 Ben White Boulevard, in amount not to exceed \$20,154,160.76.

District(s) Affected: District 3

Lead Department	Office of Real Estate Services.
Fiscal Note	<p>Funding in the amount of \$1,152,764.56 will be included in the FY2018-2019 Budget for the Austin Code Department. Funding for the remaining lease term is contingent upon available funding in future budgets.</p> <p>Funding in the amount of \$700,000.00 will be included in the FY 2018-2019 Proposed Budget for the Economic Development Department. Funding for the remaining lease term is contingent upon available funding in future budgets.</p> <p>Funding in the amount of \$862,808.37 will be included in the FY 2018-2019 Proposed Budget for the Human Resources Department. Funding for the remaining lease term is contingent upon available funding in future budgets.</p>
For More Information	Alex Gale, Office of Real Estate Services, (512) 974-1416; Megan Herron, Office of Real Estate Services, (512) 974-5649; Rebecca Giello, Economic Development Department, (512)974-3045; Joya Hayes, Human Resources Department, (512) 974-3246.

Additional Backup Information:

Austin Code Department:

The Austin Code Department (ACD) currently occupies space at 1520 Rutherford and in the RBJ Building at 15 Waller Street. The space constraints in both locations have resulted in overcrowding of personnel with people doubled up in some spaces. The property abutting the RBJ Building is being redeveloped and has caused the department to lose 60 parking spaces for its fleet vehicles. The department has recently increased its staff from 119 to 146, which further exacerbates the overcrowding. The split locations result in inefficiencies and the department management has perceived the need for a single location.

The proposed location at 5202 Ben White is an open space that is basically square with a total area of 43,394 square feet. The owner has proposed to build out this space in a configuration acceptable to the department which will accommodate all personnel comfortably. The space will also be sufficient for additional growth. The development has ample parking and will accommodate the department’s fleet vehicles. Several other city departments are locating in the same building, which will create positive synergies and opportunities for collaboration.

The lease will provide one hundred seventy-four (174) free parking spaces (4:1000). The owner has indicated additional parking may be provided, if needed.

	Base Rent/psf	Operating Expenses/psf	Monthly Rent and Operating Expenses	Annual Rent + Operating Expenses
Year 1	\$19.25	\$5.99	\$91,272.05	\$1,095,264.56
Year 2	\$19.75	\$6.23	\$93,946.56	\$1,127,358.76
Year 3	\$20.25	\$6.48	\$96,655.74	\$1,159,868.85
Year 4	\$20.75	\$6.74	\$99,400.96	\$1,192,811.47
Year 5	\$21.25	\$7.01	\$102,183.66	\$1,226,203.91
Year 6	\$21.75	\$7.29	\$105,005.35	\$1,260,064.16
Year 7	\$22.25	\$7.58	\$107,867.58	\$1,294,410.95
Total			\$696,331.89	\$8,355,982.66

* \$.50 annual escalation

* Assuming 4% annual escalation

In addition, ACD requires additional storage space. The landlord has agreed to lease 5,000 square feet in the basement of the building at a Full Service Gross rate of \$11.50 per square foot with annual escalations of \$.50 per square foot. The charge for that space is indicated in the following chart:

	Gross Rent/psf/YR	Monthly Rent	Annual Rent
Year 1	\$11.50	\$4,791.67	\$57,500.00
Year 2	\$12.00	\$5,000.00	\$60,000.00

Year 3	\$12.50	\$5,208.33	\$62,500.00
Year 4	\$13.00	\$5,416.67	\$65,000.00
Year 5	\$13.50	\$5,625.00	\$67,500.00
Year 6	\$14.00	\$5,833.33	\$70,000.00
Year 7	\$14.50	\$6,041.67	\$72,500.00
Total		\$37,916.67	\$455,000.00

Total for Office Space lease	\$8,355,982.66	
Total for storage space		<u>455,000.00</u>
Grand Total		\$8,810,982.66

Economic Development Department:

The proposed lease space located at 5202 E. Ben White Boulevard is comprised of approximately 17,886 square feet of office space. The space will be used to office the Economic Development Department’s Cultural Arts, Music and Entertainment, and Small Business Program Divisions employees.

The Cultural Arts Division (CAD) has been notified by Austin Convention Center it will need to vacate the premises no later than November 30, 2018 due to construction in the Austin Convention Center Parking Garage that will impact CAD offices at 201 E. 2nd St.

The Music and Entertainment Division and the Small Business Program are currently located on the 10th and 13th floor of One Texas Center (OTC) and offices a staff of 10 and 15 people respectively. The Music Division has been splintered into three locations (OTC 10th floor, OTC 13th floor, and the Small Business Entrepreneur Center located at Brodie Oaks Center). It would be conducive to City business and community access for these three divisions to co-locate due to the shared work and close ties of each division to the small business and creative communities.

Current challenges related to office space capacity, parking and communication constraints due to disparate locations will be addressed through a shared office space and parking availability.

The proposed lease agreement will provide a stable, safe and healthy environment for all three Divisions and allow for streamlined operations. The site is accessible by public transportation and provides adequate parking and operational space needed to administer cultural, music and small business services in an efficient manner.

The lease will provide seventy-two (72) free parking spaces (4:1000).

	Base Rent/psf	Operating Expenses/psf	Monthly Rent and Operating Expenses	Annual Rent + Operating Expenses
Year 1	\$19.25	\$5.99	\$37,620.22	\$451,442.64
Year 2	\$19.75	\$6.23	\$38,722.59	\$464,671.13
Year 3	\$20.25	\$6.48	\$39,839.25	\$478,071.03
Year 4	\$20.75	\$6.74	\$40,970.77	\$491,649.21
Year 5	\$21.25	\$7.01	\$42,117.73	\$505,412.80

Year 6	\$21.75	\$7.29	\$43,280.77	\$519,369.21
Year 7	\$22.25	\$7.58	\$44,460.51	\$533,526.16
Total			\$287,011.85	\$3,444,142.18
	*\$.50 annual escalation	*Assuming 4% annual escalation		

Human Resources Department:

Since January 2000, the Human Resources Department (HRD) has leased and used the Learning and Research Center (LRC), located at 2800 Spirit of Texas Drive, from the Department of Aviation (DOA). In late 2017, DOA advised HRD that they were terminating the lease and use of the LRC effective December 31, 2018.

HRD has worked with the Office of Real Estate Services to identify a space to fit the needs of the LRC, and to also provide for expanded capacity to house HRD employees as the space HRD currently occupies at One Texas Center is at capacity. The new space will house several divisions within HRD that need additional space. Those areas slated to be located at the new facility include the Organization Development Division, the Civil Service Division, the Veterans Program, along with associated functions, and the Talent Acquisition Recruiters.

The proposed location at 5202 Ben White is an open, square space measuring approximately 41,021 square feet. Plans for this new space include creating a hearing room to hold Civil Service and Municipal Civil Service hearings, interview space for recruitments, and space to house a Veterans Resource Center. This space can accommodate the large training room required to hold the bi-weekly New Employee Orientations, as well as space to conduct the numerous leadership academies and trainings currently held at the LRC, an office to issue employee badges, multiple computer training labs, and ample parking to accommodate staff and the large number of people that participate in hearings, academies, and trainings.

The lease will provide one hundred sixty-four free parking spaces (4:1000). The owner has indicated additional parking may be provided, if needed.

The annual cost to HRD will be as follows:

	Base Rent/psf	Operating Expenses/psf	Monthly Rent and Operating Expenses	Annual Rent + Operating Expenses
Year 1	\$19.25	\$5.99	\$86,280.84	\$1,035,370.04
Year 2	\$19.75	\$6.23	\$88,809.10	\$1,065,709.17
Year 3	\$20.25	\$6.48	\$91,370.12	\$1,096,441.45
Year 4	\$20.75	\$6.74	\$93,965.22	\$1,127,582.60
Year 5	\$21.25	\$7.01	\$96,595.75	\$1,159,148.97
Year 6	\$21.75	\$7.29	\$99,263.13	\$1,191,157.58
Year 7	\$22.25	\$7.58	\$101,968.84	\$1,223,626.11
Total			\$658,252.99	\$7,899,035.92
	* \$.50 annual escalation	* Assuming 4% annual escalation		

The term of the lease is for seven years. The proposed rental rate for year one is \$19.25 per square foot with annual escalations of \$.50 per square foot, plus operating expenses of \$5.99 per square foot for the first year. Operating expenses include janitorial, common area maintenance, taxes and insurance. Each department will be responsible for electric, water, wastewater and garbage for occupied office space. The Landlord is providing a tenant improvement allowance of \$110 to \$120 per square foot.

The Strategic Facilities Governance Team reviewed and approved all three requests.