

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: June 28, 2018

Item Number: **034**

Office of Real Estate Services

Authorize negotiation and execution of a 84-month lease agreement for approximately 20,105 square feet of office space for the Corridor Program Office with 5204 Ben White 2017, LP, a Texas Limited Partnership, located at 5202 E. Ben White Boulevard, in amount not to exceed \$3,870,619.75.

District(s) Affected: District 5

Lead Department	Office of Real Estate Services .
Fiscal Note	Funding in the amount of \$504,799.22 is available in the 2018-2019 proposed budget of The Austin Transportation Department. Funding for the remaining lease is contingent upon available funding in future budgets. A Fiscal note is not required.
Prior Council Action	June 14, 2018-Council approved an 84 month lease for office space for Austin Code Department, Economic Development Department, and Human Resources Department at 5202 E Ben White, on a 10-2 vote with Council Members Flannigan and Alter voting no.
For More Information	Alex Gale, Office of Real Estate Services, (512) 974-1416; Megan Herron, Office of Real Estate Services, (512) 974-5649; Michael Trimble, Corridor Program Office, (512)974-3442.

Additional Backup Information:

The Corridor Program Office (CPO) was created in December 2016, following passage of the 2016 Mobility Bond. The purpose of the Corridor Program Office is to implement the 2016 Mobility Bond-funded Corridor Mobility Program, which is the development, design, and construction of projects along key Austin corridors that enhance mobility, safety, and connectivity for all users-whether you drive, bike, walk, or take transit.

CPO is currently located on a temporary basis with the Austin Transportation Department on Lake Austin Boulevard in the LCRA building. On February 28, 2018, LCRA provided the City with a termination letter. CPO recently received an extension but the current lease will terminate on August 31, 2018. After the new space is ready at 5202 E. Ben White, this lease will allow CPO to meet current and near-term future office space needs.

CPO's office space needs include accommodation of its current and future co-located staff. As CPO pivots from the planning phase for the Corridor Construction Program to the implementation phase, additional co-location of the team is required and is expected to double this year. This will include additional co-located staff from the Austin Transportation Department, Real Estate Services, and the Public Works Department. City Council approved in a mid-year FY2018 budget amendment five new positions in CPO that will also office at this location.

The proposed space at 5202 E. Ben White is an open space with a total area of 20,105 square feet. The owner has proposed to build out this space in a configuration acceptable to CPO to accommodate all personnel comfortably. The space will also be sufficient to plan for additional growth. The development has a good deal of parking, allocated at 4 spaces per 1000 square feet so that CPO would be entitled to the use of 80 parking spaces. Several other city departments are locating the same building which will create positive synergies and opportunities for collaboration.

The term of the lease is for seven years. The proposed rental rate for year on 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, water, common area electrical, taxes and insurance. The Landlord is providing a tenant improvement allowance of \$120 per square foot. The lease will provide free parking for four vehicles per 1000 square feet. The owner has indicated that 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	\$42,287.50	\$507,450.20
Year 2	\$19.75	\$6.23	\$43,527.33	\$522,327.90
Year 3	\$20.25	\$6.48	\$44,783.88	\$537,406.65
Year 4	\$20.75	\$6.74	\$46,057.20	\$552,686.45
Year 5	\$21.25	\$7.01	\$47,347.28	\$568,167.30
Year 6	\$21.75	\$7.29	\$48,654.10	\$583,849.20
Year 7	\$22.25	\$7.58	\$49,977.68	\$599,732.05
Total			\$322,634.97	\$3,870,619.75

* \$.50 annual escalation

* Assuming 4% annual escalation

The cost per square foot is within the market rate per a rent study conducted by a third-party appraiser. Austin Independent School District and Travis County were contacted and do not have any space at this time.

The proposed lease has been reviewed and approved by the Strategic Facilities Governance Team.