

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: October 4, 2018

Item Number: **012**

Office of Real Estate Services

Authorize negotiation and execution of an 84 month lease agreement for approximately 2,312 square feet of office space for the Intergovernmental Relations Office with 919 Congress Avenue LLC located at 919 Congress Avenue, Suite 500, in amount not to exceed \$1,050,591.

District(s) Affected: District 9

Lead Department	Office of Real Estate Services.
Fiscal Note	Funding in the amount of \$111,400 will be included in the FY 2018-2019 Proposed Budget for the Intergovernmental Relations Office. Funding for the remaining lease term is contingent upon available funding in future budgets. A fiscal note is not required.
For More Information	Alex Gale, Office of Real Estate Services, (512) 974-1416; Megan Herron, Office of Real Estate Services, (512) 974-5649; Brie Franco, Intergovernmental Affairs Office, (512) 974-2285.

Additional Backup Information:

The Intergovernmental Relations Office (IGRO) currently occupies approximately 1,707 square feet of office space at the Travis County Administration Building, located at 700 Lavaca Street, Suite 608. Within the IGRO, there are 5 full-time staff that work very closely with the Legislature.

In February 2018, Travis County provided the City with a notice of non-renewal of the Lease Agreement beyond the lease expiration date of February 28, 2019. This will require IGRO to relocate prior to the

end of the lease term. IGRO proposes to move to the Capitol Center building located at 919 Congress Avenue, Suite 500. The proposed office location would allow IGRO to maintain its close proximity to the Capitol and City Hall, where Department business is conducted on a regular basis.

Meetings and events are an integral part of IGRO business. The proposed location would provide office space, consisting of 2,312 square feet, with private offices and a separate conference room where meetings can be held without interruption. Additionally, the facilities at the proposed location offer larger conference rooms that IGRO can reserve to hold special meetings and events.

The initial seven year term base rent is \$30.00 per square foot with 3 percent annual escalations. First year operating expenses are \$21.83 per square foot. Operating expenses include the following: property taxes, common area maintenance, insurance, janitorial, repairs, maintenance, and all utilities. The build out cost is estimated to be \$93,800. The Landlord will contribute \$22.00 per square foot in Tenant Improvement Allowance, which totals \$50,864. IGRO's responsibility will be \$42,936. The Landlord is providing five (5) parking spaces at \$185 per month.

IGRO	Base Rent/psf (3% annual escations)	Operating Expenses/psf (Estimated 4% annual escalations)	Annual Parking (5 spaces)	Annual Base Rent and Operating Expenses + parking	Monthly Base Rent and Operating Expenses + parking
Year 1	\$30.00	\$21.83	\$11,100	\$130,931	\$10,911
Year 2	\$30.90	\$22.70	\$11,100	\$135,023	\$11,252
Year 3	\$31.83	\$23.61	\$11,100	\$139,277	\$11,606
Year 4	\$32.78	\$24.55	\$11,100	\$143,647	\$11,971
Year 5	\$33.76	\$25.53	\$11,100	\$148,178	\$12,348
Year 6	\$34.77	\$26.55	\$11,100	\$152,872	\$12,739
Year 7	\$35.81	\$27.61	\$11,100	\$157,727	\$13,144
Total				\$1,007,655	

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.

City-owned space is the preferred recommendation for a location of City Departments, including the possibility of purchasing new City facilities. Due to immediate need and the difficulty of purchases or building in the current economic environment, a lease with a competitive market rental is generally the only immediately available option. This lease is necessary due to the lack of office space in City-owned facilities.

We are working with our development advisor, CBRE, on an occupancy strategy analysis, including a lease exit strategy, which will provide a plan on utilizing our existing city-owned facilities as well as any new administrative space needs that could be pursued using our existing P3 model. We expect to have this work completed early in 2019. As the end of the lease term for the facility approaches, this analysis and space planning work will be utilized to move towards finding a long-term solution.