



Recommendation for Action

File #: 19-1409, **Agenda Item #:** 13.

3/28/2019

Posting Language

Authorize negotiation and execution of an 84-month lease with Field Realty Partners, Ltd., a Texas limited partnership, for approximately 6,240 square feet for a City of Austin Utilities regional customer service center at the Towne Square Shopping Center, Suite 100, located at 1901 West William Cannon Dr., with one seven-year extension option in an amount not to exceed \$1,367,497.

Lead Department

Office of Real Estate Services.

Fiscal Note

Funding in the amount of \$88,589 is included in the FY 2018-2019 Operating Budget of Austin Energy. Funding for the remaining lease term is contingent upon available funding in future budgets.

For More Information:

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Council Committee, Boards and Commission Action:

March 11, 2019 - Recommended unanimously by the Electric Utility Commission on a 9-0 vote, with Commissioner Funkhouser absent and one vacancy.

Additional Backup Information:

The City is strategically locating customer service centers to better serve utility customers. The property under consideration is located in an established shopping center at the intersection of Manchaca Road and W. William Cannon Drive. The site includes ample free parking and two Capital Metro bus stops. The unit being considered was formerly occupied by a Wells Fargo branch bank. The teller stations would remain in the building and are ideally suited to serve walk-in customers. There are several hard wall offices, an adequate conference room, and a break area. The center is in the 78745 zip code, making it an ideal location to meet the needs of utility customers located in South Austin.

The initial seven-year term base rent is \$19.00 per square foot with 3 percent annual escalations. First year operating expenses are \$9.00 per square foot. Operating expenses include property taxes, common area maintenance, insurance, repairs, and maintenance. The City, as tenant, would be responsible for utilities and janitorial service. Although the premises are largely ready for move-in, the landlord has agreed to provide new flooring, new interior painting, and countertop replacement at no expense to the City. The addition of a conference/training room and certain security-related modifications is required. The bid for the modifications is \$15,788.70, which is an expense to be funded by Austin Energy.

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 for potential sites; however, neither had 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 location of City Departments. Due to immediate need and the intended use of the property, a competitive market rental is the only immediately available option. This facility will provide City of Austin utility customers in South Austin a more convenient opportunity to make payments or other arrangements related to their accounts.

Term	Base Rent/psf (3% annual escalations)	OPEX/psf (Est. 4% annual escalations)	Est. Annual Costs (Base Rent + OPEX)
Year 1	\$19.00	\$9.00	\$174,720
Year 2	\$19.57	\$9.36	\$180,523
Year 3	\$20.16	\$9.73	\$186,514
Year 4	\$20.76	\$10.12	\$192,691
Year 5	\$21.38	\$10.52	\$199,056
Year 6	\$22.02	\$10.94	\$205,670
Year 7	\$22.68	\$11.38	\$212,534
Total			\$1,351,708