



**Lease Agreement/Renewal
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 17
AGENDA DATE: Thu 01/29/2004
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SUBJECT: Authorize negotiation and execution of a one hundred twenty month lease amendment for approximately 4,546 square feet of office space located at 1100 East 11th Street, from AUSTIN REVITALIZATION AUTHORITY, INC., Austin, TX, for the Neighborhood Housing and Community Development Office, in an amount not to exceed \$84,725.50 for the first twelve months and a total lease amount not to exceed \$1,195,779.61.

AMOUNT & SOURCE OF FUNDING: Funding in the amount of \$14,120.91 is included in the Fiscal Year 2003-2004 Approved Budget for Neighborhood Housing and Community Development. Funding for the remaining one hundred eighteen months of the original contract period is contingent upon available funding in future budgets.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Public Works	DIRECTOR'S
DEPARTMENT: for Neighborhood	AUTHORIZATION: <u>Sondra Creighton</u>
Housing and Community	
Development;	

FOR MORE INFORMATION CONTACT: Dean Harris, 974-7061; Lupe Morin, 974-3184; Laura Bohl, 974-7064

PRIOR COUNCIL ACTION: Original lease approved January 31, 2002

BOARD AND COMMISSION ACTION: N/A

On January 31, 2002, the Austin City Council approved a resolution authorizing the Neighborhood Housing and Community Development Office (NHCD) to negotiate and execute a lease for approximately 22,000 square feet of office space at 1100 East 11th Street.

One of the goals of the Eleven East redevelopment project is to create retail business space for use by local new and existing small businesses. NHCD/AHFC and ARA recommend that the storefront originally leased for the AHFC Lending Office would better serve the local business community. Releasing this space for retail use requires additional floor space on the second floor to accommodate the functions originally planned for the storefront.

Other conditions demanding increased space include:

- Increased participation in several program areas requires additional office, meeting rooms and public conference rooms;
- The Down Payment Assistance Program is experiencing a constantly increasing number of applications that require private meeting areas to allow confidential consultations;
- The Architectural Barrier Removal Program projects a 50% to 100% increase in production in the coming years. Four (4) additional staff are being hired to serve the increase in service requests and minimize waiting time for the public. Additional office space is required for these staff



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members;

- Increased requests for assistance in the Homeowner Rehabilitation Loan Program are also straining office resources. Additional meeting rooms are necessary to provide confidential consultation areas allowing clients privacy when submitting sensitive financial information;
- As all housing related programs would now be consolidated at one location, the S.M.A.R.T. Housing™ Program staff will have offices in the AHFC area. Requirements for these staff will add three office areas to AHFC's space requirements.

Additional space demands not currently met in existing office areas include room for a central filing system, a large meeting room equipped for training and public meeting purposes, private offices for all supervisors and managers, and a staff lunch and break room.

Subject to Council approval, the proposed lease of 4,546 net rentable square feet is anticipated to commence on or about August 1, 2004. A ten-year term is being proposed because the City's existing lease of 22,000 square feet in the same building is for ten years.

The requested authorization includes base rates (excluding operating expenses) as shown below. Year 1 operating expenses are estimated at \$8.50 per square foot annually, excluding electricity, which will be paid directly by NHCD. Actual operating expenses will be passed through to NHCD. An estimate of future expenses is included in the requested authorization. The landlord is providing a finishout allowance of \$20 per square foot for the 4,546 square feet, or \$90,920. If the nonappropriations provision in the lease were exercised, a pro-rata portion of the finishout allowance would be repaid to the owner at that time. Thirteen structured parking spaces will also be provided at a cost of \$55 per space per month, and are included in the requested authorization.

Triple Net Base Rates:

\$8.25 per square feet net rentable area year 1 - -	\$84,725.50
\$8.25 per square feet net rentable area year 2 - -	\$85,498.32
\$14.75 per square feet net rentable area year 3 - -	\$117,176.67
\$14.75 per square feet net rentable area year 4 - -	\$119,348.60
\$14.75 per square feet net rentable area year 5 - -	\$121,563.97
\$14.75 per square feet net rentable area year 6 - -	\$123,823.66
\$14.75 per square feet net rentable area year 7 - -	\$126,128.52
\$16.50 per square feet net rentable area year 8 - -	\$136,594.10
\$16.50 per square feet net rentable area year 9 - -	\$139,154.39
\$16.50 per square feet net rentable area year 10 - -	<u>\$141,765.87</u>
	\$1,195,779.61