

AGENDA



Recommendation for Council Action

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| Austin City Council | Item ID | 65510 | Agenda Number | 35. |
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| Meeting Date: | 12/15/2016 | Department: | Office of Real Estate Services |
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Subject

Authorize the negotiation and execution of an 84-month lease renewal for approximately 3,405 square feet of office space for the Criminal Prosecution Division of the Law Department, located at 723 East 6th Street, Austin, Texas from 723 SIXTH L.C., in an amount not to exceed \$765,483.86 (District 9).

Amount and Source of Funding

Funding in the amount of \$99,317.48 is available in the Fiscal Year 2016-2017 Approved Operating Budget of the Law Department. Funding for the remaining lease term is contingent upon available funding in future budgets.

Fiscal Note

A fiscal note is not required.

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| Purchasing Language: | |
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| Prior Council Action: | February 4, 1999 - Council approved the original lease agreement. July 19, 2001 - Council approved a lease renewal. July 2011 - Council approved a lease renewal. |
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| For More Information: | Lauraine Rizer, Office of Real Estate Services, (512) 974-7078; Megan Herron, Office of Real Estate Services, (512) 974-5649. |
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| Council Committee, Boards and Commission Action: | |
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| MBE / WBE: | |
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| Related Items: | |
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Additional Backup Information

The Law Department Criminal Prosecution Division has leased 3,405 square feet at 723 East 6th Street since August 1, 2011. The Division had previously leased the premises from 1999-2008, relocated to alternate leased space from 2008-2010, and then moved to City Hall in 2010. In 2011, the Law Department relocated the Division Prosecutors back to the lease premises to provide office space for recently hired staff. The space is located within one block of Municipal Court and next door to the Community Court facility.

The existing lease of 3,405 square feet is a modified gross lease for \$7,708.41 per month (\$27.21 per square foot annually). As a modified gross lease, property taxes, insurance costs, and maintenance expenses are included in the monthly charge, but the City is responsible for the utilities. The landlord proposed continuation of the existing terms through the end of 2016 as the parties negotiated a lease extension.

As of January 1, 2017, the landlord is proposing a switch to a triple-net lease, in which the rent is reduced but the tenant assumes the responsibility to reimburse the landlord for the cost of property taxes, insurance, and certain maintenance expenses. Accordingly, the landlord has proposed a base rent for January 1 – July 31, 2017, of \$6,810 per month (\$24.00 per square foot annually), with 3% annual increases thereafter.

The owner will also be reimbursed for operating expenses such as property taxes and insurance. Reimbursements for maintenance expenses are estimated to be an additional \$500 per month for 2017; however, such expenses will be reconciled each January of the following year. Reimbursements for taxes and insurance will be made each January of the following year, based upon actual costs, but they are estimated to equal approximately \$13,500 for 2017. Such reimbursements, with 3% annual increases, are included in the requested authorization.

The table below illustrates the estimated annual costs for the space.

| Lease Term | Monthly Rent | Total Rent | Est. Reimbursements |
|----------------------|--------------|---------------------|---------------------|
| 08/01/16 – 12/31/16 | \$7,708.41 | \$38,542.05 | \$0.00 |
| 01/01/17 – 07/31/17 | \$6,810.00 | \$47,670.00 | \$11,369.75 |
| 08/01/17 – 07/31/18 | \$6,952.00 | \$83,424.00 | \$19,832.09 |
| 08/01/18 – 07/31/19 | \$7,160.56 | \$85,926.72 | \$20,427.06 |
| 08/01/19 – 07/31/20 | \$7,375.37 | \$88,504.44 | \$21,039.87 |
| 08/01/20 – 07/31/21 | \$7,596.63 | \$91,159.56 | \$21,671.06 |
| 08/01/21 – 07/31/22 | \$7,824.52 | \$93,894.24 | \$22,321.19 |
| 08/01/22 – 07/31/23 | \$8,059.25 | \$96,711.00 | \$22,990.83 |
| Total Amount: | | \$625,832.01 | \$139,651.85 |
| | | | \$765,483.86 |

The proposed lease amendment includes one option to renew for seven years at market rate. The Strategic Facilities Governance Team reviewed and approved this facility request. A map of the leased premises attached.