

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: December 14, 2017

Item Number: 023

Office of Real Estate Services

Authorize negotiation and execution of a 84-month lease for approximately 86,800 square feet of office and warehouse space for the Austin Transportation and Watershed Protection Departments, located at 845 Interchange Boulevard, Suites 103 A & B, in Austin, Travis County, Texas, from GLP US Management LLC, a Delaware limited liability company, for a total amount not to exceed \$7,096,669.60.

District(s) Affected: District 3

Lead Department	Office of Real Estate Services.
Fiscal Note	A Fiscal Note is not required. Funding in the amount of \$500,400 is available in the Fiscal Year 2017-2018 Operating Budget of the Austin Transportation Department and funding in the amount of \$186,854 is available in the Fiscal Year 2017-2018 Operating Budget of the Watershed Protection Department. Funding for the remaining months of the original contract period is contingent upon available funding in future budgets.
For More Information	Rob Spillar, Austin Transportation Department (512) 974-2488; Michael Personett, Watershed Department (512) 974-2652; Lauraine Rizer, Office of Real Estate Services, (512) 974-7078; Megan Herron, Office of Real Estate Services, (512) 974-5649.

Additional Backup Information:

The proposed lease space located at 845 Interchange Boulevard, Suite 103 A and B, is comprised of approximately 86,800 square feet of office/warehouse space. The Austin Transportation and Watershed Protection Departments shall share the space. The Austin Transportation Department (ATD) shall occupy approximately 60,000 square feet and Watershed Protection Department (WPD) 26,800 square feet.

ATD currently houses markings staff, vehicles and commodities at Harold Court; signs staff, sign fabrication material and vehicles at Jesse Street; traffic signal crews, vehicles and commodities at Toomey Road; meter shop staff, warehouse space and vehicles at Chicon Street; and outdoor signal poles and commodities at St. Johns (previously known as Home Depot).

The St. Johns location was a temporary warehouse space in which ATD utilized approximately 30,000 square feet to store commodities and outdoor signal poles. The Building Services Department has condemned the building and required that the building be vacated. The proposed leased will allow ATD to consolidate the various divisions into one centralized location rather than having multiple locations. This will also provide for easier and more efficient access to ATD personnel with commodities delivered to one location and will provide ATD with a long term solution for their staff, fleet, equipment and storage needs and thus save financial expenses by eliminating lost time labor costs associated with driving to and from multiple sites. By combining to one centralized location, ATD will essentially decrease their carbon foot print and use less renewable resources.

The Watershed Protection Department's Pond Inspection and Pond Maintenance Programs, as well as the WPD Safety Program staff will be housed at this location. This space will provide office and training space for staff and warehouse space for the equipment and materials associated with program activities. These programs are currently housed in various locations including One Texas Center, Harold Court and a leased space on Ben White Blvd that is currently month-to-month. Combining these programs in a single space will provide for beneficial adjacencies that will immediately improve internal coordination and communication as well as improve customer service related to the provision of important storm water management and water quality services to the community.

This proposed lease space aligns with the City Facilities and Services (Building Block 5) in the Action Matrix of the Imagine Austin plan. Specifically, this proposal aligns with CFS A20 - improve inter-departmental planning to assess opportunities for using shared space and CFS A25 - cluster and, where appropriate, co-locate public facilities and programs to reduce costs.

The proposed lease space at 845 Interchange Boulevard, Suite 103 A and B, is comprised of approximately 86,800 square feet of office space and warehouse space. The lease term is for seven (7) years. In addition to base rent of \$7.50 per square foot with annual 3% escalations, the City shall also pay its pro-rata share of operating expenses, estimated to be \$2.95 per square foot.

The landlord shall provide the City with a tenant improvement allowance of \$6.50 per square foot for a total amount of \$564,200. The approximate estimated cost of tenant improvements is \$646,388, which \$564,200 will be paid by the Landlord. ATD and WPD shall reimburse \$82,188 to Landlord as part of the tenant improvements.

The table below illustrates the annual rental costs for the lease space, plus estimated operating expenses such as water/wastewater, property taxes, and maintenance expenses over the term of the lease, totaling approximately \$7,014,481.60.

Lease	Annual	Annual	Estimated	Estimated	Annual Base	Monthly
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Term	Base Rent PSF X SF/YR	Term Base Rent	Operating Expenses PSF over Base	Annual OPEX Expenses	Rent + Estimated OPEX	rent + Monthly OPEX
Year 1	\$7.50	\$651,000.00	\$2.95	\$256,060.00	\$907,060.00	\$75,588.33
Year 2	\$7.73	\$670,964.00	\$3.07	\$266,476.00	\$937,440.00	\$78,120.00
Year 3	\$7.96	\$690,928.00	\$3.19	\$277,152.40	\$968,080.40	\$80,673.37
Year 4	\$8.20	\$711,760.00	\$3.32	\$288,176.00	\$999,936.00	\$83,328.00
Year 5	\$8.45	\$733,460.00	\$3.45	\$299,460.00	\$1,032,920.00	\$86,076.67
Year 6	\$8.70	\$755,507.20	\$3.59	\$311,612.00	\$1,067,119.20	\$88,9926.60
Year 7	\$8.96	\$777,814.80	\$3.73	\$324,111.20	\$1,101,926.00	\$91,827.17
Total Amount of Lease Term					\$7,014,481.60	
Tenant Improvement Cost Paid by ATD & WPD					\$82,188.00	
Total Amount Lease Term & Tenant Improvements					\$7,096,669.60	

The lease rate is within market rate per a rent study conducted by a third-party appraiser. The Strategic Facilities Governance Team has reviewed and approved this request.

Austin Independent School District, Travis County and Austin Community College do not have office or warehouse space available at this time.