

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: December 14, 2017

Item Number: **024**

Office of Real Estate Services

Authorize negotiation and execution of a 72-month lease for approximately 24,000 square feet of office and warehouse space for the Fleet Services Department, Make Ready Division, located at 800 Interchange Boulevard, Suite 101, in Austin, Travis County, Texas, from GLP US Management LLC, a Delaware limited liability company, for a total amount not to exceed \$1,574,880.

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 \$241,440 is available in the Fiscal Year 2017-2018 Operating Budget of the Fleet Services Department. Funding for the remaining 60 months of the original contract period is contingent upon available funding in future budgets.
For More Information	Jennifer Walls, Fleet Services (512) 974-1795; Urcha Dunbar-Crespo, Fleet Services, (512) 974-2690; Lauraine Rizer, Office of Real Estate Services, (512) 974-7078; Megan Herron, Office of Real Estate Services, (512) 974-5649.

Additional Backup Information:

Fleet Services is responsible for the acquisition, maintenance, repair, fueling and disposal, of over 6,400

vehicles and pieces of equipment for the City of Austin. In addition, the Department oversees the rental of vehicles and equipment for various City departments.

Fleet’s Mission is to provide customer departments with safe and reliable vehicles and equipment in a timely, cost effective and environmentally responsible manner so that they can complete their missions. With a growing fleet in a growing City, the need for additional office and warehouse space for Fleet Services is necessary at this time.

The proposed lease of space at 800 Interchange Boulevard, Suite 101, is comprised of approximately 3,619 square feet of office space and 20,381 square feet of warehouse space for a total of approximately 24,000 square feet of combined space. The lease term is for six years. In addition to base rent with annual 3% escalations, the City shall also pay its pro-rata share of operating expenses, estimated to be \$3.21 per square foot, with approximately 4% annual increases each year.

The landlord shall provide the City with a tenant improvement allowance of approximately \$3 per square foot towards engineering and roll up warehouse door modification costs along with minor office alterations. Tenant Improvements will be paid by the landlord as part of the tenant improvement allowance. Improvements include approximately \$10,857 for office space and approximately \$61,143 for warehouse space.

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 \$1,574,880.00

Lease Term	Annual Base Rent PSF X SF/YR	Annual Term Base Rent	Estimated Operating Expenses PSF over Base	Estimated Annual OPEX Expenses	Annual Base Rent + Estimated OPEX	Monthly rent + Monthly OPEX
Year 1	\$6.85	\$164,400.00	\$3.21	\$77,040.00	\$241,440.00	\$20,120.00
Year 2	\$7.06	\$169,440.00	\$3.34	\$80,160.00	\$249,600.00	\$20,800.00
Year 3	\$7.27	\$174,480.00	\$3.47	\$83,280.00	\$257,760.00	\$21,480.00
Year 4	\$7.49	\$179,760.00	\$3.61	\$86,640.00	\$266,400.00	\$22,200.00
Year 5	\$7.72	\$185,280.00	\$3.75	\$90,000.00	\$275,280.00	\$22,940.00
Year 6	\$7.95	\$190,800.00	\$3.90	\$93,600.00	\$284,400.00	\$23,700.00
Total Amount					\$1,574,880.00	

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.