

## AGENDA



## Recommendation for Council Action

## AUSTIN CITY COUNCIL

Regular Meeting: October 4, 2018

Item Number: 011

## Office of Real Estate Services

Authorize negotiation and execution of an 84 month lease agreement for approximately 4,013 square feet of office space for the Treasury Office with 919 Congress Avenue LLC located at 919 Congress Avenue, Suite 1250, in amount not to exceed \$1,861,316.

**District(s) Affected:** District 9

<b>Lead Department</b>	Office of Real Estate Services.
<b>Fiscal Note</b>	Funding in the amount of \$375,000.00 will be included in the FY 2018-2019 Proposed Budget for the Treasury Office. Funding for the remaining lease term is contingent upon available funding in future budgets. A fiscal note is not required.
<b>For More Information</b>	Alex Gale, Office of Real Estate Services, (512) 974-1416; Megan Herron, Office of Real Estate Services, (512) 974-5649; Belinda Weaver, Treasury Office, (512) 974-7885.

## Additional Backup Information:

The Treasury Office has leased space at the Travis County Administration Building at 700 Lavaca Street, Suite 940, since May 2001. The current lease expires on February 28, 2019 with no renewal option. The Treasury Office is proposing to relocate to the Capitol Center Building located at 919 Congress Avenue, Suite 1250, Austin Texas 78701. The Treasury Office currently leases 4,934 rentable square feet and is downsizing to 4,013 rentable square feet. The proposed space will be built out in a more efficient

manner that will allow for adequate meeting space, staff offices, and storage needs for the expanding amount of permanent records required to be held within the Treasury Office.

The Treasury Office will benefit from being located within the downtown area. Being centrally located will allow the Treasury Office to meet daily operational needs in an efficient manner. As an integral part of the Accounts Payable electronic funds transfer process, the Treasury Office is required to make daily trips to the Municipal Building to obtain necessary documentation to ensure prompt payments to various City vendors. In addition, the Treasury Office works closely and conducts frequent meetings with various departments located within the downtown area to facilitate the cash, debt, and investment management activities of the City.

The initial seven year term base rent is \$32.00 per square foot with 3 percent annual escalations. First year operating expenses are \$21.83 per square foot. Operating expenses include the following: property taxes, common area maintenance, insurance, janitorial, repairs, maintenance, and all utilities. The build out cost is estimated to be \$166,057. The Landlord will contribute \$30.00 per square foot in Tenant Improvement Allowance, which totals \$120,390. The Treasury Office responsibility will be \$45,667. The Landlord is providing nine (9) parking spaces at \$185 per month.

<b>Treasury Office</b>	<b>Base Rent/psf ( 3% annual escations)</b>	<b>Operating Expenses/psf (Estimated 4% annual escalations)</b>	<b>Annual Parking (9 spaces)</b>	<b>Annual Base Rent and Operating Expenses + parking</b>	<b>Monthly Base and Operating Expenses + parking</b>
Year 1	\$32.00	\$21.83	\$19,980	\$236,000	\$19,667
Year 2	\$32.96	\$22.70	\$19,980	\$243,344	\$20,279
Year 3	\$33.95	\$23.61	\$19,980	\$250,968	\$20,914
Year 4	\$34.97	\$24.55	\$19,980	\$258,834	\$21,570
Year 5	\$36.02	\$25.53	\$19,980	\$266,980	\$22,248
Year 6	\$37.10	\$26.55	\$19,980	\$275,407	\$22,951
Year 7	\$38.21	\$27.61	\$19,980	\$284,116	\$23,676
<b>Total</b>				<b>\$1,815,649</b>	

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 and do not have any 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 a location of City Departments, including the possibility of purchasing new City facilities. Due to immediate need and the difficulty of purchases or building in the current economic environment, a lease with a competitive market rental is generally the only immediately available option. This lease is necessary due to the lack of office space in City-owned facilities.

We are working with our development advisor, CBRE, on an occupancy strategy analysis, including a lease exit strategy, which will provide a plan on utilizing our existing city-owned facilities as well as any new administrative space needs that could be pursued using our existing P3 model. We expect to have this work completed early in 2019. As the end of the lease term for the facility approaches, this analysis and space planning work will be utilized to move towards finding a long-term solution