



Recommendation for Action

File #: 20-1345, **Agenda Item #:** 20.

2/20/2020

Posting Language

Authorize negotiation and execution of a lease amendment to extend the lease term for an additional 60 months for Suite 170, located at the Bergstrom Tech Center, 6800 Burleson Road, Building 312, Austin, Texas, and consisting of 6,929 rentable square feet which will serve as a child care facility, in an amount of \$1,592,701, with CCI-Burleson I, LP, a Texas Limited Partnership, for a total amount not to exceed \$2,826,271.

Lead Department

Office of Real Estate Services.

Fiscal Note

Funding in the amount of \$139,202 is included in the FY 2019-2020 Municipal Court Operating Budget, \$200,000 is included in the FY 2019-2020 Municipal Court Operating Budget Special Revenue Fund, and \$50,000 is included in the FY 2019-2020 Operating Budget of the Austin Public Health Department. Funding for the remaining years of the lease is contingent upon available funding in future budgets.

Prior Council Action:

March 7, 2019: Approved on consent on Council Member Tovo's motion, Council Member Renteria's second on an 11-0 vote.

For More Information:

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Additional Backup Information:

On March 7, 2019, the City Council approved the negotiation and execution of a 60 month lease for approximately 216,908 square feet of office space, including 6,929 rentable square feet for a child care facility ("Child Care Facility"), to collocate several City Departments including Public Works Department, Communications & Technology Management, Fleet Services Department, Austin Resource Recovery, and Austin Public Health with CCI-Burleson I, LP, a Texas Limited Partnership, at the Bergstrom Tech Center, Building 310 and Building 312, located at 6800 Burleson Road, Austin, TX 78744.

The City of Austin has separately executed a 120-month lease agreement, for approximately 96,000 square feet of office space for Municipal Court, with CCI-Burleson I, LP, a Texas Limited Partnership, at the Bergstrom Tech Center, Building 310, located at 6800 Burleson Road, Austin, TX 78744.

The proposed lease amendment for the child care facility for an additional 60 months is to align that lease with the Municipal Court lease term. Aligning the child care facility lease to reflect the Municipal Court lease term will allow childcare access to the Municipal Court staff, several City Departments staff, and the community in the neighboring area. Those services will benefit the City employees and the local community within the area. Recent market research indicated this area is lacking childcare services. Currently, Austin Public Health Department (APH) is beginning the Request for Proposal (RFP) process of identifying a child care facility

operator for the facility at Bergstrom Tech Center.

The rental rate for year one of the Child Care Facility lease is \$27 per square foot, with annual escalations of 1.0%; plus, operating expenses of \$7.44 per square foot, with annual escalations of 4.0%. Operating expenses include common area maintenance, property taxes, insurance, janitorial, repairs, maintenance, parking lot maintenance, landscaping, and all utilities.

Child Care Facility Current Lease:

Current 60 Month Term	Annual Rent 6,929 SF (1.0% Annual Escalations)	Average Operating Expenses 6,929 SF (4% Annual Escalations)	Total Annual Rent and Operating Expenses	Monthly Rent and Operating Expenses
Year 1	\$187,083	\$51,552	\$238,635	\$19,886
Year 2	\$188,954	\$53,630	\$242,584	\$20,215
Year 3	\$190,825	\$55,778	\$246,603	\$20,550
Year 4	\$192,765	\$57,996	\$250,761	\$20,897
Year 5	\$194,705	\$60,282	\$254,987	\$21,249
Total			\$1,233,570	

The 60-month extension shall begin on year six, with the rental rate at \$28.38 per square foot, with the same annual escalations of 1.0%; plus, estimated operating expenses of \$9.05 per square foot, with annual escalations of 4.0%. The total rent and operating expenses for the additional 60 months are estimated at \$1,342,701.

Child Care Facility Proposed Amendment Lease for 60 Months Extension:

Additional 60 Month Term	Annual Rent 6,929 SF (1.0% Annual Escalations)	Average Operating Expenses 6,929 SF (4% Annual Escalations)	Total Annual Rent and Operating Expenses	Monthly Rent and Operating Expenses
Year 6	\$196,645	\$62,707	\$259,352	\$21,613
Year 7	\$198,585	\$65,202	\$263,787	\$21,982
Year 8	\$200,595	\$67,835	\$268,430	\$22,369
Year 9	\$202,604	\$70,537	\$273,141	\$22,762
Year 10	\$204,613	\$73,378	\$277,991	\$23,166
Total			\$1,342,701	

The additional allocation of the one-time funding of \$250,000 is for leasehold improvements to retrofit the existing space into a childcare facility. APH is overseeing the child care facility, and it will enter into a separate contract with a third-party childcare provider to operate the facility.