



City of Austin

Recommendation for Action

File #: 24-4991, **Agenda Item #:** 58.

7/18/2024

Posting Language

Authorize negotiation and execution of a 3-year lease agreement with 1106 Smith Rd LLC for approximately 6,298 square feet of warehouse and office space located at 1106 Smith Road, Suites 105 and 106, together with two, 1-year extension options, for a total amount not to exceed \$668,739.

Lead Department

Financial Services Department.

Fiscal Note

Funding of \$41,988 is available in the Fiscal Year 2023-2024 Operating Budget of the Communications and Technology Management Department. Funding for the remaining 56 months of the initial lease agreement and extension options is contingent upon available funding in future budgets.

For More Information:

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Additional Backup Information:

The Communications and Technology Management Department (CTM) and Fleet Mobility Services Department (FMS) have shared a warehouse and office building at 6400 Bolm Road for over 30 years and have outgrown the space. FMS will eventually vacate this location and move to the new FMS Service Center, which is currently in the design phase and anticipated to be completed in three years. At that time, CTM will expand into the vacant FMS space. Until then CTM needs to lease additional space to support their operations given the space constraints. The proposed space at 1106 Smith Road is directly adjacent to the building at 6400 Bolm Road.

The proposed lease consists of Suites 105 and 106 and is comprised of 6,298 square feet of warehouse and office space. The proposed base rent is \$15.00 per square foot, and operating expenses are \$5.00 per square foot in year one. The base rent and operating costs will increase by three percent per year. There are two 1-year renewal options for a total of five years. The proposed not to exceed amount includes the two 1-year renewal options, which CTM may not use if the new FMS facility is completed on schedule resulting in 2-year savings in total leasing costs.

An independent, third-party appraisal was procured to establish the fair market rental rate. The appraisal supports the proposed lease terms.

Initial Term 3-Years & Two 1-Year Options (6,298 Square Feet)	Base Rent per Square Foot	OPEX per Square Foot	Total Rent per Square Foot	Annual Rent	Monthly Rent
Months 1-12	\$15.00	\$5.00	\$20.00	\$125,960	\$10,497
Months 13-24	\$15.45	\$5.15	\$20.60	\$129,739	\$10,812
Months 25-36	\$15.91	\$5.30	\$21.22	\$133,631	\$11,136
Months 37-48	\$16.39	\$5.46	\$21.85	\$137,640	\$11,470
Months 49-60	\$16.88	\$5.63	\$22.51	\$141,769	\$11,814
			Total:	\$668,739	

The Strategic Facilities Governance Team has reviewed and approved the proposed lease agreement.