



# City of San Antonio

## Legislation Details (With Text)

**File #:** 13-1125

**Type:** Real Property Lease

**In control:** City Council A Session

**On agenda:** 12/19/2013

**Title:** An Ordinance authorizing the 1st Amendment to Lease Agreement with Riverview Tower Partners, Ltd., and the City of San Antonio for the addition of 2,360 square feet of space for the Central Stores Division of the Finance Department located at 111 Soledad Street for an initial term of five-years at an annual cost of \$40,119.96 during year's one through three and escalating to \$42,480.00 during year's four and five plus a pro-rata share of operating expenses increases over a base year. [Ben Gorzell, Chief Financial Officer; Jorge Perez, Director, Building and Equipment Services]

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 1st Amendment to Lease Agreement, 2. DCD, 3. Project Map, 4. Draft Ordinance, 5. Ordinance 2013-12-19-0907

Date	Ver.	Action By	Action	Result
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**DEPARTMENT:** Building and Equipment Services

**DEPARTMENT HEAD:** Jorge A. Perez

**COUNCIL DISTRICTS IMPACTED:** 1

**SUBJECT:**

1<sup>st</sup> Amendment to Lease Agreement for Finance's Print Shop

**SUMMARY:**

This ordinance authorizes the execution of the 1<sup>st</sup> Amendment to Lease Agreement with Riverview Tower Partners, Ltd., and the City of San Antonio for the addition of 2,360 square feet of space to be utilized by the Central Stores Division of the Finance Department located at 111 Soledad Street in Council District 1 for an initial term of five-years at an annual cost of \$40,119.96 during years one through three and escalating to \$42,480.00 during years four and five. The City will also pay its pro-rata share of operating expenses subject to increase after the base year of the term. The lease amendment gives the City the right to terminate this portion of its occupancy at the expiration of the existing Finance lease which is May 31, 2016 upon 180-days written notice to landlord.

**BACKGROUND INFORMATION:**

Pursuant to Ordinance 2006-11-30-1349 the Finance Department relocated into 29,848 square feet of office space in the Riverview Tower Building from the former City Hall Annex Building in May of 2007 to allow that antiquated building to be torn down and the site prepared for future development. As part of the Annex relocation, the Central Stores Division, then under the authority of the Purchasing Department, moved to a building at 416 Dolorosa Street. That lease will soon expire and under separate Council action staff has recommended to Council approval of a short term extension to allow for the timely relocation to the subject facility.

The move to Riverview Tower's will allow Finance to consolidate all of its operations in a single facility, accomplish operating efficiencies that will better utilize space within its existing occupancy and allow for the Print Shop functions to decrease their footprint compared to the present occupancy providing savings of nearly \$40,000.00 in the first year of the occupancy. This lease amendment will increase the existing Finance occupancy at Riverview Tower's by 2,360 square feet bringing the total Finance occupancy to 32,208 square feet.

#### **ISSUE:**

There is no City-owned space available that could accommodate this need and the lease for the existing Central Stores program at 416 Dolorosa will soon expire. The opportunity presented through that lease expiration will allow the relocation of these functions into the subject space which is better located in terms of operating efficiencies and is significantly less expensive than the Dolorosa facility.

#### **ALTERNATIVES:**

The alternative to entering into this amendment to the Finance lease is to remain at 416 Dolorosa or identify more competitively priced space or relocate to City-owned space. Inasmuch as there is no appropriate City-owned space available for this need; it is unlikely that suitable space at a lower rate could be identified and; staying at Dolorosa is a significantly more expensive option, approval of this amendment is the most cost effective approach to accommodating this space need.

#### **FISCAL IMPACT:**

Under the terms of the amendment, the City's rental obligation for the Finance lease will increase \$40,119.96 (\$17.00 per square foot) during year's one through three and escalating to \$42,480.00 (\$18.00 per square foot) during years four and five. However, this action will reduce the Finance Departments overall monthly building rental expenditure by \$39,566.04 annually as the annual rent obligation for the Dolorosa Street location of \$79,686.00 will cease as soon as the program is relocated. The City will pay \$270.00 monthly (\$3,240.00 annually) for use of three parking spaces located in the adjacent Rand Parking Garage. Additional one-time expenses associated with this lease include relocation, information technology and security expenses estimated at approximately \$53,000.00. Since other City offices are located in the building, the City's fiber network is already connected to the property, thereby reducing relocation expenses. In the event the City exercises its termination right prior to the expiration of the term, the City will pay a termination fee equal to the unamortized portions of the allowance for Tenant finish-out paid by Landlord plus a negotiated termination fee of \$4,300.00 in consideration for a reduced rental rate. The landlord will be solely responsible for costs associated with constructing the improvements required by the City and the payment of all operating expenses (maintenance, insurance, utilities and taxes) for the lease term with the exception of any increase in operating expenses over

the base year operating expenses, for which the City will be responsible for reimbursement to the landlord of its pro rata share.

There is sufficient funding in the Finance FY 2014 budget to support the lease related expenditures

**RECOMMENDATION:**

Staff recommends approval of this ordinance authorizing the 1<sup>st</sup> Amendment to Lease Agreement for a five-year term for 2,360 square foot of leased space at 111 Soledad Street.