



City of San Antonio

Agenda Memorandum

File Number: 17-1465

Agenda Item Number: 12.

Agenda Date: 2/23/2017

In Control: City Council A Session

DEPARTMENT: Center City Development & Operations

DEPARTMENT HEAD: John Jacks

COUNCIL DISTRICTS IMPACTED: 1

SUBJECT:

Lease renewal with Klabzuba Properties III for 22,279 square feet at 106 South Saint Mary's Street.

SUMMARY:

This ordinance authorizes the execution of a five-year lease renewal agreement with Klabzuba Properties III, Ltd, for use of a 22,279 square foot portion of a building, located in Council District 1, at 106 South Saint Mary's Street for the purposes of providing office space for Department of Human Services (DHS). The annual rent will be \$423,300.00 in the first year of the term increasing annually thereafter about two and one half percent to \$467,856.00 in the fifth and final year of the renewal term.

BACKGROUND INFORMATION:

DHS has occupied this space since January of 2012 under a lease agreement approved by Council on August 11, 2011. The space was constructed under the terms of the initial lease in a manner conducive to the DHS operation housed in this location. Though this renewal term will end on January 31, 2022, as part of the City's strategy to relocate all staff in leased facilities in the downtown area into the refurbished Frost Tower, all DHS staff at this facility will be relocated to the consolidated municipal tower and it is expected that this lease will be terminated prior to that date. Until that time the City has a continuing need for this facility and has structured flexible renewal terms allowing the termination of this lease at or any time after February 1, 2020.

ISSUE:

The existing lease has expired and per its terms the City has an option to renew for an additional five years contingent upon the City timely exercising this option.

ALTERNATIVES:

If the City chooses not to renew this lease at this time, staff would need to be relocated and the lease terminated. Inasmuch as there is no City owned space surplus to our needs available to house these staff and in light of the fact that the City has made a substantial investment into the property for telephone and network systems, moving is not a viable option.

FISCAL IMPACT:

The changes to the existing lease are outlined in the chart below.

Item	Presently	Proposed	Net Change
Premises Size	22,279 SF	22,279 SF	No change
Term	Ends January 31, 2017	Ends January 31, 2022	60 month extension
Annual Rent Year 1	\$423,330.00	\$423,330.00	No change
Annual Increases	N/A	\$11,139.50 annually	\$11,139.50 increase
Parking Spaces	16 spaces @ \$95.00 each	20 spaces @ \$95.00 each	4 additional spaces
Termination Right	Any time	Any time after Feb 1, 2020	3 year firm term

The addition of four parking spaces will increase the charge for monthly parking from \$1,520.00 to \$1,900.00 or \$22,800.00 annually in addition to the rent cited above. DHS has allocated sufficient funds in the FY 2017 adopted budget to pay the expenses associated with this occupancy.

RECOMMENDATION:

Staff recommends approval of this ordinance authorizing the execution of a five-year lease extension agreement with Klabzuba Properties III, Ltd for 22,279 square feet of building space for a term ending January 31, 2022.