

VII. STANDING COMMITTEES**B. Finance, Audit & Facilities Committee**UW Medicine at South Lake Union - Phase III Option AmendmentINFORMATION

This purpose of this presentation is to provide a status update of the University's South Lake Union Biomedical Research Project. This item is for information only.

PREVIOUS ACTIONS

- As approved by the Board of Regents on April 17, 2003, renovation of the Blue Flame Building, later renamed as the Brotman Building, was completed in 2004 and is fully occupied.
- As approved by the Board of Regents on March 17, 2005, Phase II of the Project was completed in the summer of 2008 and also is now fully occupied.
- As approved by the Board of Regents on July 19, 2007, the Phase III Option Agreement was amended to extend the exercise date from 2007 until March 15, 2010 and to extend substantially the development schedule for the site to allow for development in sub-phases that would be completed by the end of 2018 (as compared to 2013 under the original Option Agreement). The amendments also provided for preliminary planning work to be done in support of the development as a project cost to be borne by the University and an additional deferred option fee, increased over time, payable only in the event the University ultimately elects not to exercise the option.

BACKGROUND

Given changed economic conditions over the past year and an opportunity to improve the efficiency and increase the amount of any further development on the Phase III site through a change in zoning of the Phase III site, the parties have agreed to further modify the Phase III Option Agreement.

- The schedule for increases in the deferred option fee which would be payable if the University did not exercise the option has been extended.
- Additional planning work has been agreed to, both to pursue the zoning change and maintain the development schedule anticipated by the existing agreement in the event the option is exercised. The cost to be borne by the University for the additional planning work and pursuit of the zoning

VII. STANDING COMMITTEES

B. Finance, Audit & Facilities Committee

UW Medicine at South Lake Union - Phase III Option Amendment (continued p. 2)

change will be no more than \$500,000 and will be capitalized as a project cost if the option is exercised.

Both measures improve the potential value of the project and make it more attractive given that UW Medicine research programs have continued to grow at a substantial rate, leaving UW Medicine with inadequate space to accommodate that growth on an ongoing basis. Additionally, recent actions at the federal level to provide economic stimulus funding and allow federal funding for expanded stem cell research are providing major opportunities for additional biomedical research support.

REVIEW AND APPROVALS

The modifications to the Option Agreement and the required expenditure for and benefits from the additional planning costs and change in zoning have been reviewed and approved by the Chief Executive Officer of UW Medicine, the Senior Vice President, and the Director of Real Estate.