

VII. STANDING COMMITTEES**B. Finance, Audit & Facilities Committee**Metropolitan Tract - 2010 Unico Capital Expenditure BudgetRECOMMENDED ACTION:

It is the recommendation of the Finance, Audit and Facilities Committee that the Board of Regents approve reimbursement of up to \$6.36 million in capital expenditures by Unico Properties, LLC, for capital and tenant improvements requested in its 2010 Capital Expenditure Plan for the office buildings on the Metropolitan Tract. The \$6.36 million is comprised of up to \$1.94 million for capital improvements and up to \$4.42 million for tenant improvements.

BACKGROUND:

Under the terms of the University's lease with Unico Properties, LLC, the University is required to reimburse Unico for capital and tenant improvements.

The lease with Unico requires the University to deposit an amount equal to 5% of gross revenues generated by the buildings (approximately \$1.75M in 2009) into the Metropolitan Tract New Building Fund. All capital expenditures are paid first from this account with any balance coming from the University's rental proceeds from the lease. However, Unico must obtain the University's approval for any capital improvements, and there is no obligation to utilize the New Building Fund in any given year.

The lease with Unico requires the University to reimburse Unico for tenant improvements subject to achieving agreed upon rent and return thresholds in accordance with an annual Tenant Improvement Plan consistent with "Seattle Market Standards." The University undertakes a collaborative effort with Unico each year to establish the Tenant Improvement Plan. Each lease then completed during the year is measured against the budget established as part of the Tenant Improvement Plan prior to approval of reimbursement of the tenant improvement costs.

CAPITAL IMPROVEMENTS

The recommended 2010 capital improvement reimbursement is \$1.94 million. These investments are intended to improve the quality of the buildings in order to be competitive in the leasing market, as well as enhance energy efficiency and promote sustainability. In light of the challenging leasing market, the 2010 capital improvements are focused on upgrading common areas to support leasing requirements, upgrading outdated ceiling and lighting systems, and continuing to

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extend sprinklers into tenant premises. The Financial Center will receive a new cooling tower in 2010.

TENANT IMPROVEMENTS

The remaining \$4.42 million recommended for reimbursement is allocated to tenant improvements. This amount is based on anticipated leasing of existing vacant space and leases due to expire in 2010, and the anticipated amount of investment necessary for occupancy of this space by new tenants. However, it is likely that actual expenditures will be less than this amount unless all budgeted leasing is achieved. Budgeted leasing during 2010 is based on projected leasing of approximately 135,000 square feet and an average tenant improvement investment of \$29.00/sf.

2010	Capital Improvements	Tenant Improvements	Total Capital Expenditures
Rainier Tower & Square	435,993	1,869,550	2,305,543
Financial Center	912,938	584,020	1,496,958
IBM Building	245,696	290,315	536,011
Puget Sound Plaza	285,848	1,264,696	1,550,544
Skinner Building	39,183	410,661	449,844
Met Tract Studies	25,000		25,000
TOTAL	\$1,944,658	\$4,419,242	\$6,363,900

REVIEW AND APPROVALS

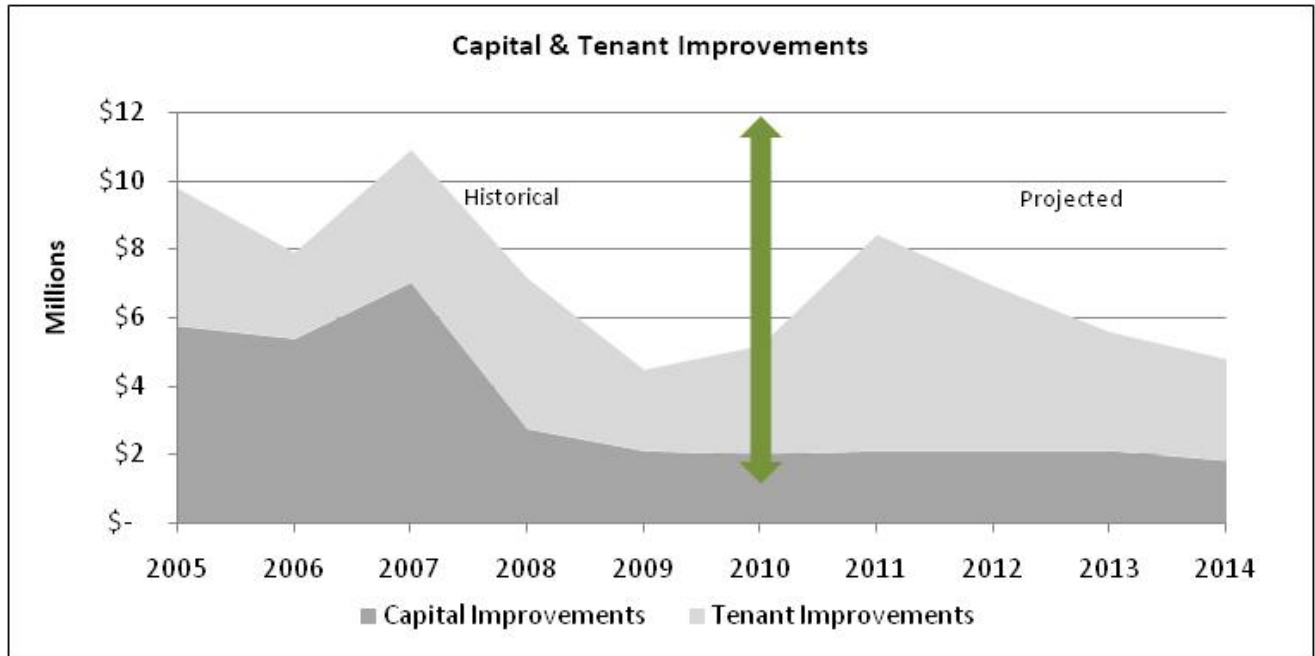
This recommendation has been reviewed by the Senior Vice President, the Associate Vice President for Treasury, and the Director of Real Estate.

Attachment

Projected Tenant Improvements and Capital Improvements

Projected Tenant Improvements and Capital Improvements

For Reference Only. The projected tenant improvements are based on leasing assumptions and known lease expirations.



ATTACHMENT