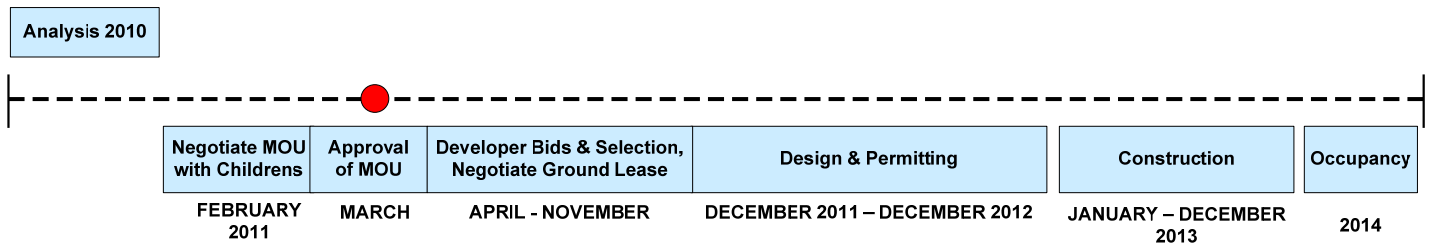


VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Partnership with Seattle Children’s Hospital for Workforce Housing



RECOMMENDATION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents:

1. Approve entering into a partnership with Seattle Children’s Hospital (Children’s) for a housing project that would serve employees of both the University of Washington (UW) and Children’s on a priority basis;
2. Delegate to the president the authority to execute a Memorandum of Agreement and related documents;
3. Delegate to the president the authority to execute a Ground Lease and related documents with a developer selected through a competitive process

BACKGROUND:

Purpose and Benefit

Children’s invited UW to join in a partnership for development of workforce housing, a goal the institutions share, that would also fulfill Children’s obligation to replace housing demolished for its campus expansion. The key elements of the proposed partnership are that Children’s would provide a source of financing and UW would provide a developable parcel of land.

The partnership will result in new housing affordable for employees, supporting recruitment and retention, and contributing to a vital urban neighborhood. It demonstrates UW’s commitment to the U-District, and provides a model for future workforce housing. It is expected that a ground lease will generate a reasonable return to UW.

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Partnership with Seattle Children's Hospital for Workforce Housing (continued p. 2)

UW and Children's will collaborate on a competitive selection process, and a Request for Proposals (RFP) will be issued for a developer to undertake the housing project.

Project Site

Two UW-owned parcels were assessed as potential sites for the housing project; Lot 1 located at 4513-4545 11th Ave NE was determined the best suited to the project. Lot 1 was acquired from Safeco in 2006 as part of the UW Tower properties. It is 40,217SF (.92 Acre), zoned NC3-85 (neighborhood commercial/residential/85' height limit), and is currently leased for auto dealer parking.

Memorandum of Agreement

The obligations and expectations of the partnership between UW and Children's are spelled out in a Memorandum of Agreement (MOA) including these terms:

- Objectives & timeline
- Obligations of each institution
 - UW provides site for ground lease to developer
 - Children's provides loan to developer
 - Marketing of units to employees
- Design criteria, unit mix & affordability
- Ratio of units for marketing priority
- Ground lease expectations
- Predevelopment costs shared (to be reimbursed)
- Branding of project
- Cancellation provisions

Project Characteristics

An RFP will be issued to select a developer in a competitive process; the specific characteristics of the housing project will be determined as part of that process and during subsequent design. Preliminary analysis indicates the site can accommodate approximately 200 units, and no less than 136 units will be required. The RFP will call for development of rental apartments in a mix of unit sizes from studio to 3- bedrooms with various levels of affordability.

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Partnership with Seattle Children's Hospital for Workforce Housing (continued p. 3)

Affordable Unit Mix

The housing project will include at least 34 units defined as affordable for people whose incomes are no greater than 75% of median household income. The remainder will be market rate.

Marketing Priority

Employees of UW and Children's will have prioritized access to all units. Vacant apartments will be marketed first to UW and Children's employees, and then, after a certain amount of time, to members of the public. The priority for distribution of units between UW and Children's will be based on:

- Years 1-10: each institution has equal priority (50/50) to all units, both affordable and market rate units (this corresponds with time period for the City multi-family property tax exemption program for affordable housing).
- Years 11-19: Children's has priority for affordable units (this corresponds with additional financing provided by Children's to extend affordable units beyond the City tax exemption program) and each institution has equal priority to market rate units, provided that the total units are divided equally.
- Years 20-30: each institution has equal priority (50/50) to all units (at this point, all units are expected to be market rate).

Ground Lease

The UW will lease Lot 1 to the selected developer. The MOA and the RFP will specify certain expectations for the ground lease, and competition may improve upon these:

- 50 year term with 20 year extension option, unsubordinated
- Minimum rent payment based on 6.25% return on appraised land value
- Rent increase 15% or CPI every 5 years
- Land value reset every 15 years
- Right of first offer to purchase & purchase option
- Design and planning specifications
- Limited UW involvement in development & management
- Performance & payment bond

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Partnership with Seattle Children's Hospital for Workforce Housing (continued p. 4)

Next Steps

Children's board will review the proposed partnership at its meeting on March 23rd. As soon as the Memorandum of Agreement is signed, solicitation for a developer will begin, with selection anticipated in summer 2011. Due to time constraints related to Children's obligation to replace housing, the Master Use Permit (MUP) for this project must be submitted by September 2012. To meet that time frame, key steps must occur no later than:

- April - November 2011: Solicit & select developer, negotiate ground lease
- December 2011 - September 2012: Design & permitting by developer

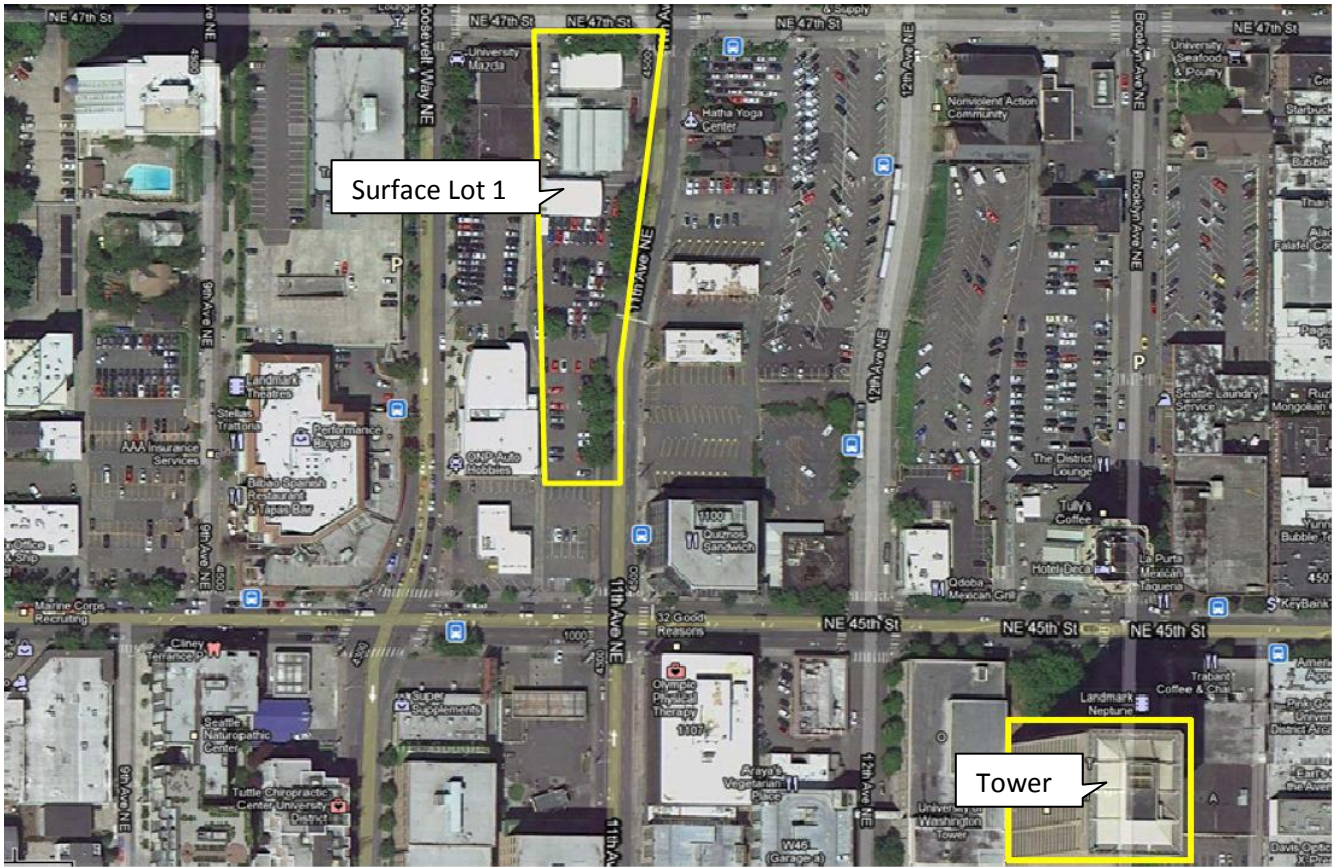
The project is expected to be constructed in 2013 and ready for occupancy in 2014.

REVIEW AND APPROVALS

The terms of the partnership between UW and Children's as outlined above have been reviewed and recommended for approval by the Vice Provost for Planning & Budgeting, the Senior Vice President, and the Chief Real Estate Officer.

Attachment
Surface Lot 1

SURFACE LOT 1



ATTACHMENT