

VII. STANDING COMMITTEES**A. Academic and Student Affairs**

in Joint Session with

B. Finance, Audit and Facilities**Amendment of Lease with Unico Properties for the Metropolitan Tract****RECOMMENDATION:**

It is the recommendation of the administration, the Academic and Student Affairs Committee, and the Finance, Audit and Facilities Committee that the Board of Regents delegate to the President the authority to execute an amendment to the lease with Unico Properties, providing for University control over all tenant lease and investment decisions, accelerated ground rent payments, elimination of non-compete clause, and property management of the Rainier Tower Sublease.

BACKGROUND:**Purpose and Benefit**

The lease with Unico for the Metropolitan Tract is nearing the end of its 60 year term (1954-2014). The University and Unico have determined that transferring additional decision-making authority to the University in advance of the termination of the lease will result in a smoother transition through 2014.

By amending the lease, the University will have full authority over the terms of tenant lease agreements and investment in tenant improvements. Currently, decision-making around tenant deals is governed by reference to market standards as defined in the Unico lease. Shifting control to the University ensures these decisions are in the best interest of the University.

In addition, the University will receive rent from Unico on a monthly basis, rather than quarterly, and at a higher percentage amount. This allows for better cash management and provides cash flow benefits to the University.

Unico will continue in its role managing and leasing the Metropolitan Tract, providing full transparency to the University in all management and operations. As part of the lease amendment, the non-compete clause will be eliminated and Unico will have more flexibility to enter into business arrangements with other parties in downtown Seattle. Unico will also take on property management of the Rainier Tower sub-lease previously contracted separately by the University

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The lease will stay in place through its termination date of October 31, 2014, but will be amended to achieve the purposes outlined above. There is no commitment to continue a business relationship beyond 2014; however, the parties acknowledge that Unico will be allowed to compete to provide future services on the Metropolitan Tract.

Lease Amendment

The lease will be amended on the following terms:

- The University will assume complete decision-making control over all tenant leasing and capital expenditures.
- Unico will pay the University 75% monthly rent with true-up at end of each quarter (under the current agreement the University receives \$250k per quarter with balance due at year end).
- Unico will be released from its non-compete in downtown Seattle (current non-compete boundaries: Stewart/Denny to North; I-5 to East; Dearborn to South; and Puget Sound to West).
- Unico will take over Rainier Tower Sub-lease property management at current rates and no additional cost to the University.

Next Steps

Unico's board has reviewed the lease amendment and is in concurrence. Upon Regents approval, the lease amendment will be executed and effective on June 1, 2011.

REVIEW & APPROVALS

The terms of the lease amendment between the University and Unico as outlined above have been reviewed and recommended for approval by the UW Advisory Committee on Real Estate (ACRE), the Senior Vice President, and the Chief Real Estate Officer.