

VII. STANDING COMMITTEES**B. Finance, Audit and Facilities Committee**Metropolitan Tract – Approval of 2013 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 \$8.0 million in capital expenditures by Unico Properties, LLC, for capital and tenant improvements requested in its 2013 Capital Expenditure Plan for the buildings on the Metropolitan Tract. The \$8.0 million is comprised of up to \$4.4 million for capital improvements and up to \$3.6 million for tenant improvements.

CAPITAL IMPROVEMENTS

The recommended 2013 capital improvement reimbursement is \$4.4 million. These investments are intended to replace obsolete equipment, improve the quality of the buildings in order to be competitive in the leasing market, as well as enhance energy efficiency and promote sustainability. The major 2013 capital improvements consist of a HVAC system replacement and an electrical gear replacement in two of the buildings. Additional projects focus on parking system changes, energy saving upgrades, exterior building repair, and improving vacant tenant space for lease.

TENANT IMPROVEMENTS

The lease with Unico requires the University to reimburse Unico for tenant improvements in accordance with an annual Tenant Improvement Plan.” The University undertakes a collaborative effort with Unico each year to establish the Tenant Improvement Plan. Each lease 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.

The recommended 2013 tenant improvement reimbursement is \$3.6 million. This amount is based on anticipated leasing of existing vacant space and leases due to expire in 2013, 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 2013 is based on projected leasing of approximately 153,000 square feet and an average tenant improvement investment of \$24 per square foot.

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2013 BUDGET vs. 2012 BUDGET

2013	Capital Improvements	Tenant Improvements	Total Capital Expenditures
Rainier Tower & Square	2,097,103	531,406	2,628,509
Financial Center	259,407	415,380	674,787
IBM Building	530,744	1,981,735	2,512,479
Puget Sound Plaza	1,103,309	236,575	1,339,884
Skinner Building	362,360	471,076	833,436
Met Tract Studies	25,000		25,000
TOTAL	\$4,377,923	\$3,636,172	\$8,014,095

2012	Capital Improvements	Tenant Improvements	Total Capital Expenditures
Rainier Tower & Square	121,531	538,650	660,181
Financial Center	905,754	88,640	994,394
IBM Building	63,643	767,785	831,428
Puget Sound Plaza	764,624	342,575	1,107,199
Skinner Building	359,668	27,246	386,914
Met Tract Studies	25,000		25,000
TOTAL	\$2,240,220	\$1,764,896	\$4,005,116

The increase from 2012 to 2013 relates to the following two items:

- Capital Projects - During the economic recession beginning in 2008, certain capital projects on the Metropolitan Tract were deferred. In 2013, two critical projects related to the key operation of the buildings need to be completed and will cost \$2.8 million.
- Tenant Improvements – For 2013, we adopted a more aggressive budgeting approach for leasing space on the Metropolitan Tract. The budget is to lease or renew 153,000 square feet in 2013 vs. the 90,000 square feet goal in 2012. This change translates into an overall higher tenant improvement expenditure budget.

REVIEW AND APPROVALS

This recommendation has been reviewed by the Senior Vice President, the Chief Real Estate Officer, and the Advisory Committee on Real Estate (ACRE).