

**VII. STANDING COMMITTEES****B. Finance, Audit and Facilities Committee**Metropolitan Tract – Rainier Tower SubleaseRECOMMENDED ACTION:

It is the recommendation of the administration that the Board of Regents authorize the President or his designee to execute a Sublease Agreement with Marsh, Inc. for space in the University-controlled portion of Rainier Tower.

BACKGROUND:

In 1995, the University acquired a 345,000 square foot leasehold interest in Rainier Tower from Seafirst Bank (“Sublease Premises”). In the ensuing ten years, the University has subleased the space to third party tenants at rents substantially above the rent it is obligated to pay under the Sublease. While unusual for Metro Tract tenant leases to be presented for Regents’ action, this lease which is signed by the University instead of Unico Properties, contains terms which exceeds the 20-year maximum under the Regents’ delegated authority.

Over the next 18 months, Washington Mutual will vacate five full floors (approximately 90,000 square feet) of the University-controlled space to relocate to its newly constructed headquarters building in downtown Seattle. To backfill this space, the University has successfully negotiated a new lease of 10 years and 6 months (plus two five-year options to extend) with Marsh, Inc. to occupy approximately 70,000 square feet this space. This will commit the space through the end of the University’s Sublease term eliminating the leasing risk for this space. The balance of the vacated space will be leased to other third party tenants.

In addition, Marsh will also sublease approximately 40,000 square feet of space within the Sublease Premises which is currently leased to Kamilche Company, for a total occupancy in the Building of 110,000 square feet.

Rental rates average approximately \$29 per square foot over the initial term of 10 years and 6 months. Market rates will be negotiated for extension periods.

The Marsh, Inc. sublease is recommended for approval by the Executive Vice President and the Director of Real Estate.