

UNIVERSITY OF WASHINGTON BOARD OF REGENTS

Safeco Real Estate Property Acquisition

RECOMMENDED ACTION:

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

1. Approve the acquisition of Safeco's real estate properties for \$130 million;
2. Approve the issuance of up \$145 million in Short Term Revenue Notes as interim financing and the issuance of permanent financing in the form of 30 year General Revenue Bonds or Lease Revenue Bonds sufficient to retire the Short Term Revenue Notes prior to June 30, 2007; and
3. Delegate to the president or his designee the authority to execute all documents related to this transaction, including the authority to set maturities and roll periods for the Short Term Notes prior to obtaining permanent financing.

BACKGROUND

In the spring of 2006, Safeco announced that it had changed its strategic direction regarding the location of its operations and that it was going to sell its University District properties and consolidate much of its operations in leased space in downtown Seattle. This created both a challenge for the economy of the District and an opportunity for the University. President Emmert indicated at the June Regents meeting that the University would be looking at what this sale of properties might mean for the University and evaluating the possibilities of the University purchasing the property.

Safeco created and managed a bid process for the sale of its properties. The initial step in this process required the interested parties to execute a confidentiality agreement which is a standard practice for this type of transaction to protect the interests of both the seller and the potential buyers. Throughout this process and consistent with the confidentiality agreement, the University has informed and consulted with various parties within the University and with those external to the University with financial or approval interests in the potential purchase of these properties.

This series of activities, highlighted in Exhibit 1, has resulted in a successful agreement with Safeco and the proposed actions before the Regents today. With the approval by the Regents, the University and Safeco will today execute the purchase and sale agreement and related documents and publicly announce this transaction.

STRATEGIC VALUE

This landmark transaction promises to expand academic space in the heart of main campus and in west campus as administrative units are targeted for relocation to the Safeco building. The purchase will also enable the University to consolidate in the University District programs and operations that are scattered in leased space throughout the city, bringing these activities in much closer proximity to the University.

The University currently leases 1.2 million square feet of space throughout the City. Purchase of the Safeco Tower will direct resources currently being spent on rent to help finance the debt. Over time, as the cost of rent increases, moving units into an office building it owns will result in considerable cost savings to the University. The buildings will also allow campus space, currently used for administrative offices, especially sites on the west campus, to be made available for teaching and research purposes.

Safeco's decision to sell created an opportunity for the University to acquire space in the University District at a cost significantly lower than new construction on or near campus. With more University employees working in

the heart of the University District, local businesses will likely see an increase in drop-in customers, helping support on-going efforts to revitalize the area.

PROPERTY DESCRIPTION

The Safeco properties include the tower plus three adjacent low-rise buildings totaling 510,546 square feet, two parking garages with 727 stalls, a residential building with 29 units, a small retail building and two surface parking lots as shown in Exhibit 2. The complex is in good condition.

VALUATION AND ANALYSIS

All of the properties are being purchased for \$130 million. The University assessed the value of the properties using three different methods: value to a third party assuming highest and best use of each property, value to the University based upon current lease rates, and value relative to constructing equivalent space.

Trinity Real Estate was engaged to provide real estate advisory services. They initially valued the Safeco properties at \$128 million based on the highest and best use for each property in the portfolio. The valuation analysis is attached in Exhibit 3. In the case of the office tower complex the highest and best use is office use, valued at \$196 per square foot. The University is paying just under \$200 per square foot, or \$104 million, for the main office complex which converts to an occupancy cost per square foot of just over \$21 compared to market rents of \$22 to \$27 per square foot. This is slightly lower than market rents for office space in the University District. The \$200 per square for the office complex is also significantly less than the \$350 to \$450 per square foot for new office construction, excluding land value.

Based upon these three valuation methods - consultant valuation, market rent analysis, and comparing the cost to new construction - the purchase price of \$130 million for this property is a fair and appropriate value.

FUNDING AND FINANCING PLAN

The operating costs and debt service will be paid from revenues generated by consolidating leases, and some combination of state support (operations and maintenance) and third party leasing. Based upon our financial analysis, we expect that these revenues will cover the cost of acquiring and operating the buildings. Greater support from the State in the near term will allow greater University use of the available space in the near term. Over the long term, we plan to use all of the space for the University.

The University will fund the acquisition on an interim basis by issuing short term notes (Commercial Paper) under the Regents authority to borrow for any purpose during a biennium. Prior to the end of the biennium, the University will pay off the short term notes with permanent long term financing. Permanent financing will either be in the form of a lease backed financing arrangement or General Revenue Bonds if the University is granted expanded borrowing authority in the 2007 legislative session. The source and use of funds for the acquisition are summarized in Exhibit 4.

NEXT STEPS

As summarized in Exhibit 1, the immediate next steps will be to complete the initial financing and to close the sale within 30 days. During the next six months, we will begin the process of requesting financial support for this transaction from the State in the form of operations and maintenance support, capital support for a data center expansion and expanded authority to issue general obligation bonds by the University to use for permanent financing. Over the next year, we will be working to identify the specific occupants of the building and to execute the move into the building starting in January 2008. These next steps will appropriately follow the normal public processes for State requests, space assignments and financial decisions.

Safeco Calendar of Major Activities

Activities to date:

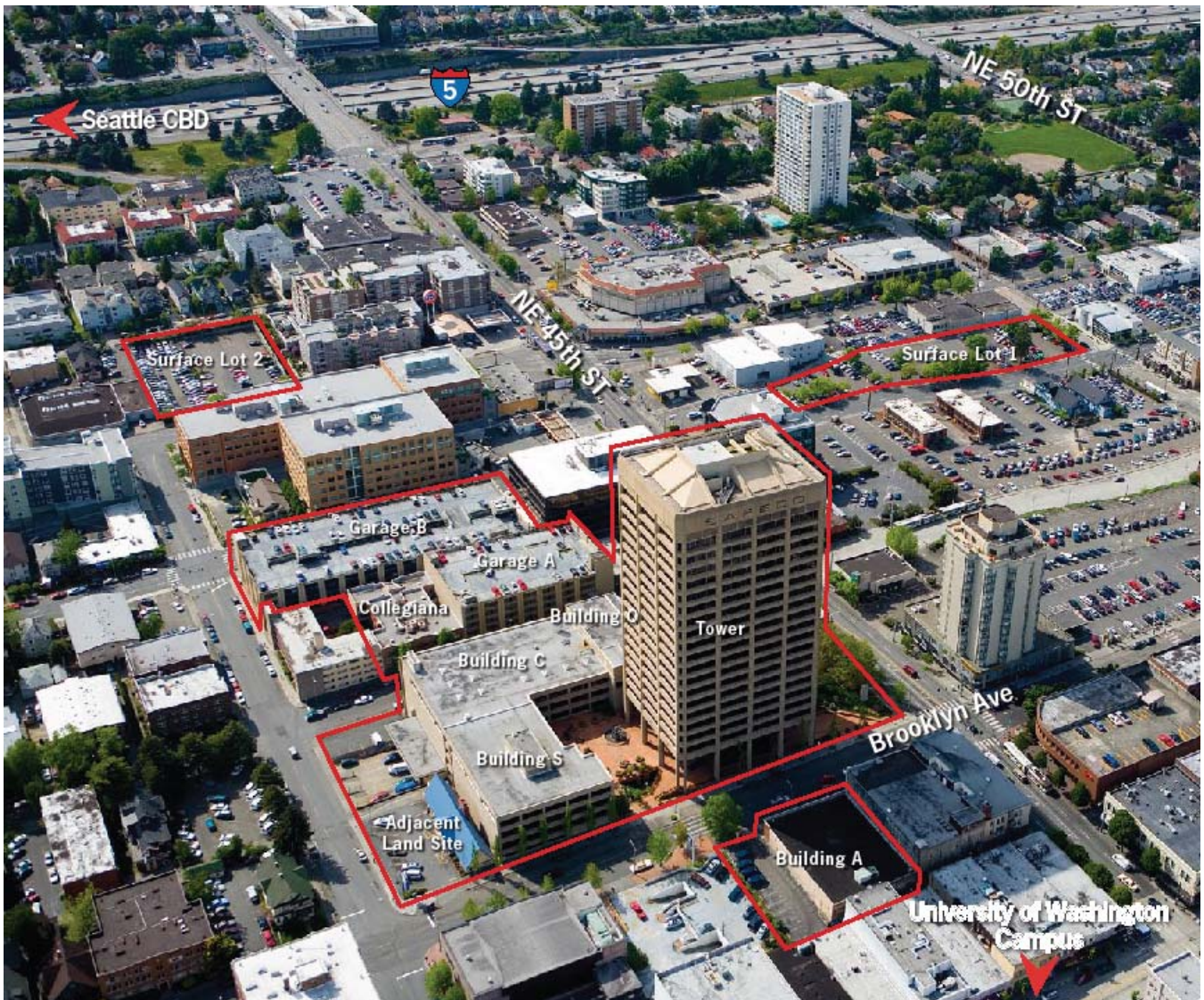
- March 2006 - Safeco announces intent to sell University District properties
- April 2006 – Briefing on Preliminary Internal Assessment
Potential occupants, funding and financing options
Approval to prepare for possible negotiation
- June 2006 – Safeco offers property for sale
- June 26, July 10, August 10 – Board of Regents review of proposal and approvals to proceed
- June – August 2006
Inform State leaders (Governor, HECB, Legislators), University Leaders and community leaders of UW interest in potential acquisition
- July – August 2006 – Due Diligence
- August 16, 2006 - Final Offer Letter submitted to Safeco
- **TODAY: August 28, 2006**
Board of Regents' Approval of Acquisition and Financing
Execution of final sale and purchase documents
Public Announcement

Future activities, assuming approvals by the Regents:

- September 2006 – Close transaction and issue short term debt (Commercial Paper)
- September 2006-April 2007 – Request state support
Operations and Maintenance
Capital
Expanded authority for permanent financing
- October 2006- June 2007 - Develop program and funding plan
- June 2007 – Issue permanent debt (GRB or 63-20)
- June 2007 – December 2007 – Planning for minor repairs and moving
- January 2008 – Occupancy of Safeco office buildings

Property Summary Table

Building Name or Site	Rentable Square Feet	Type of Space
Primary		
Tower, C,O and S	510,546	Office
Garages A and B	249,260	727 Parking Stalls
Adjacent Site/Bldg	8,808	IHOP
Secondary		
Building A	10,960	Retail
Collegiana	13,409	Housing
Surface Lots 1 and 2	73,589	Land/Development



**Safeco Insurance
Corporate Headquarters Portfolio**

**Preliminary Acquisition Valuation
Trinity Real Estate**

June 26, 2006

**University of Washington
Project BS/UD
Acquisition Value Summary**

Objective & Methodology

The objective of this review is to assess the likely range of values associated with the acquisition of the Safeco campus portfolio by an independent buyer. This buyer is expected to be a pension fund advisor or a combination of real estate opportunity fund and a local partner/operator. This information will be useful in the bidding process in order to assess and develop a successful acquisition strategy that results in an acquisition at the lowest possible cost. Ideally, this will help drive a price that is incrementally higher than the next highest bidder, while still remaining below the potential cost that could be incurred by the University. This review is preliminary, and based on the information provided by Pacific Real Estate Partners and collected through independent sources.

The campus portfolio consists of seven different properties and five differing forms of current uses. These include high and low-rise office, corporate housing/residential, retail, structured, and surface parking. Each of these has been evaluated based on its anticipated highest and best use—delivering values associated with a prospective buyer’s maximum range of pricing.

Executive Summary

Based on the evaluation of each property as to its highest and best use (and therefore highest potential value), the total package indicates a value of approximately \$127.8 million. There are, of course, a number of factors that may influence this number to go higher. These include:

- Institutional pressure to place investment real estate capital despite substandard potential returns.
- Preference for greater risk despite declining yields
- Robust economic assumptions and increasing cost for entering the market

Property	Size	Zoning	Valuation Method(s)	Value (\$/sq. ft)	Value (Total)
			Argus (Pro-Forma) and Alternative Use Analysis		
Safeco Tower	279,459	NC3-85		\$ 215.46	\$ 110,000,000
Low-Rise Buildings					
Building C	102,804	NC3-85	Argus (Pro-Forma)	<i>incl</i>	
Building O	71,267	NC3-85	Argus (Pro-Forma)	<i>incl</i>	
Building S	57,016	NC3-85	Argus (Pro-Forma)	<i>incl</i>	
Subtotal Office	510,546				
Collegiana Housing	13,409	NC3-85	Income/Comps	138.27	1,854,000
Building A--Retail	10,960	NC3-65	Income/Land	217.24	2,381,000
Garages					
Garage A	90,640	NC3-85	Income/Argus		<i>incl</i>
Garage B	158,620	NC3-85	Income/Argus		<i>incl</i>
Surface Lot 1--Land	40,217	NC3-85	Income/Development	174.88	7,033,000
Surface Lot 2--Land	33,372	C1-65	Income/Development	150.58	5,025,000
Adjacent Land Site	8,800	NC3-85	Income/Development	174.89	1,539,000
			Total Portfolio Value		<u>\$ 127,832,000</u>

The Office Buildings

Four buildings are included in the campus: the 22 story tower, and three adjacent 4-story low-rise buildings (two of which have lower/basement levels). The current and historical uses have been for office use, suggesting the strategy for most buyers will likely incorporate office as the preferred use, and of course for corporate users. For the purpose of this evaluation, the structured, above-grade parking garages are incorporated into this analysis. Notwithstanding this, there are other uses that can be accommodated under the current zoning, and may be reviewed by alternative buyers. Following is a discussion of each of the potential uses and the associated potential values.

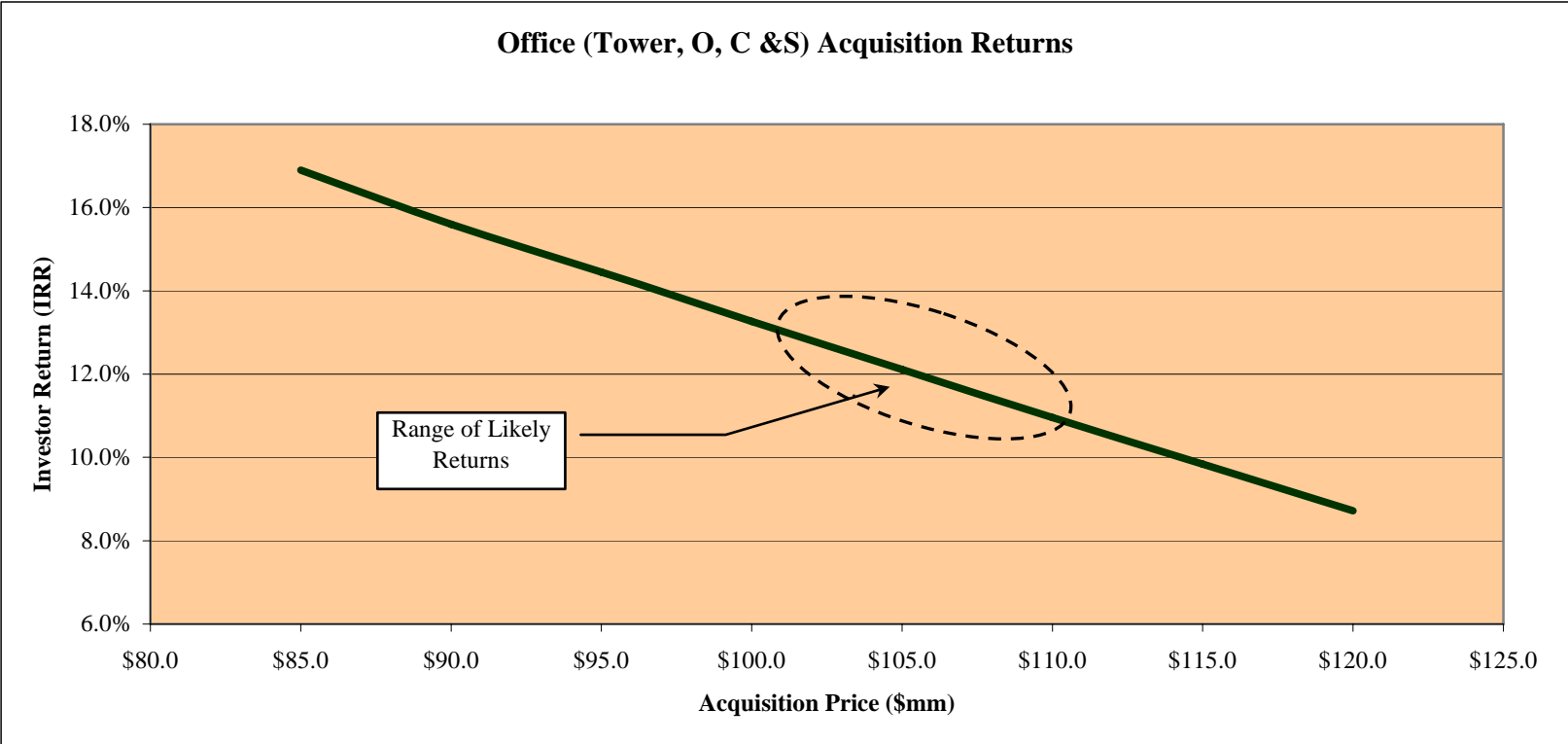
Office Use. The office opportunity will be viewed by two alternative buyers: the opportunistic investor looking to re-lease the properties to 3rd party tenants, and corporate users looking to occupy all or a majority portion of the buildings. The evaluation for both is similar, with the addition of the corporate user also reviewing values over the alternative replacement cost or “new” construction.

For the opportunistic buyer, the buildings were reviewed relative to the expected rents, operating and capital costs, financing, and net cash flows over the expected hold period. The size of the transaction indicates a buyer will be either a major investment advisor/national real estate group, or a local operator that will partner with one of the above. The assumptions and outcome under this scenario is discussed below.

Continued employment growth together with minimal new construction has led to declining vacancies and increasing rents throughout the Puget Sound region. While the office market in the University District is relatively small, the opportunity to lease attractive high-rise and low-rise space at rates significantly below new construction should attract future users.

Based on our assumptions (detailed in Exhibit A), the anticipated pricing for all four office buildings is expected to be in the range of \$95-100 million. This is based on the anticipated rent growth, current parking costs, an estimate of operating expenses, and a reasonable (20 month) lease-up period. The investor returns are outlined below.

These returns also result in an acquisition value significantly below replacement cost. Replacement cost for comparable low and high-rise structures with available parking are in the range of \$250-300/sq. foot.



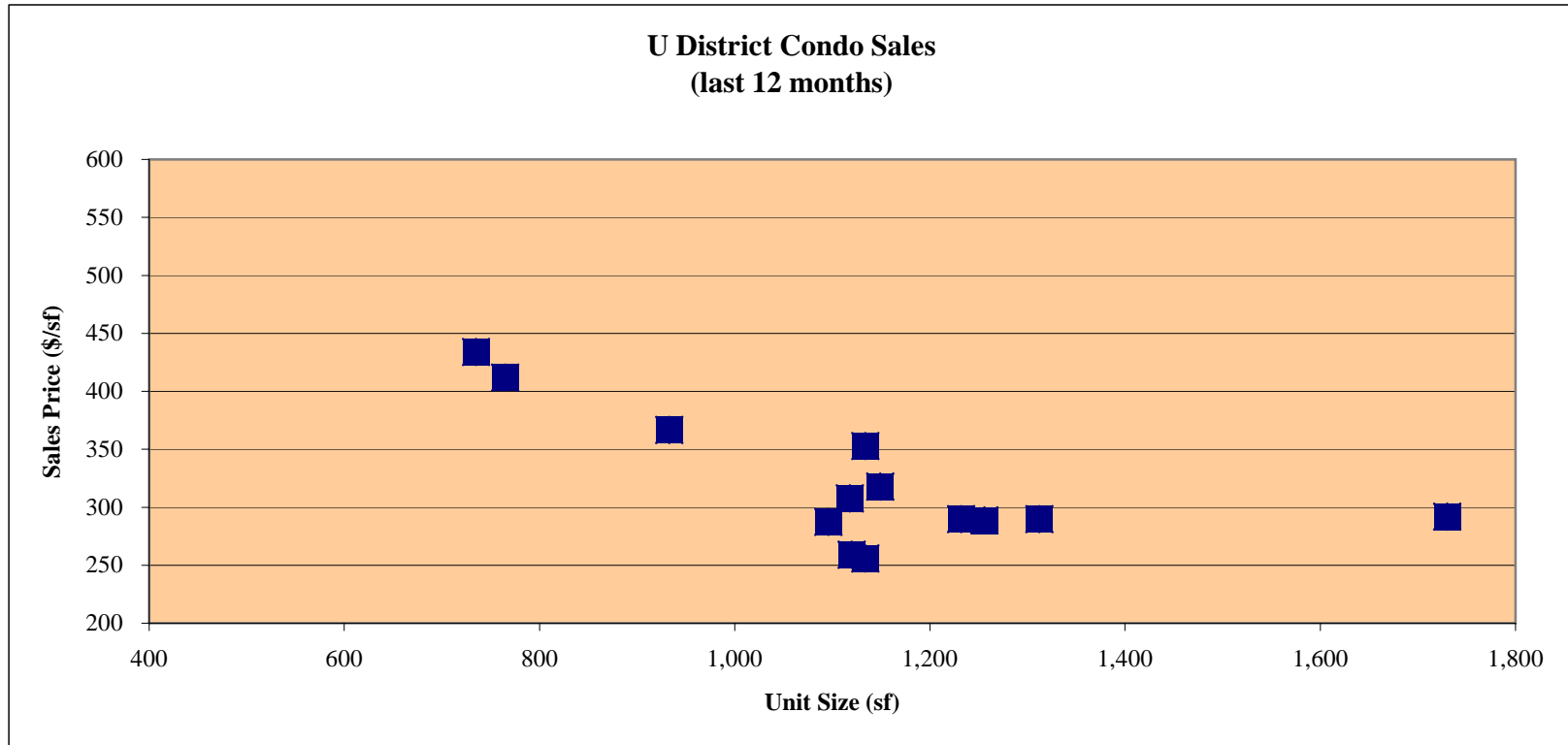
Details of the cash flows and investor returns are included within the detailed pro-formas contained in Exhibit B.

Residential Conversion. Functionality and economics are both required in order to justify a residential conversion opportunity. In this case, Buildings C, S, and O (the low rise projects) are not well-suited for residential use. Their relatively deep floor plates (which would produce very narrow units with minimal windows) and significant amount of perimeter wall area with no windows at all would create only a few units with access to natural light. Safeco Tower, however, provides a relatively shallow bay depth (distance from the core to the window line) and highly attractive perimeter views.

In view of this, the tower was evaluated for conversion to residential use. Three scenarios were evaluated:

- Conversion to luxury, for-rent apartment units (market or senior)
- Conversion to student housing
- Conversion to for-sale luxury-oriented condominiums.

In each case we evaluated the likely revenues based on current (and forecasted) rents/sales as applied to the quality of the expected finished product. For the apartments, this included a current rent assumption of \$2.10/sq. ft. per month. This is arguably at the upper boundary of rents in the region—with only the newly completed 989 Elements high-rise in Bellevue known to exceed these values. Student housing was based on a competitive rent value, applied to a smaller unit size. The condominium units are more problematic to develop a market comparable. Based on closed sales within the immediate market area, there are few comparables for a high end high-rise condominium project. With average sales in the \$250-450/square foot range, pricing above this will necessarily create a new price point, as noted below.



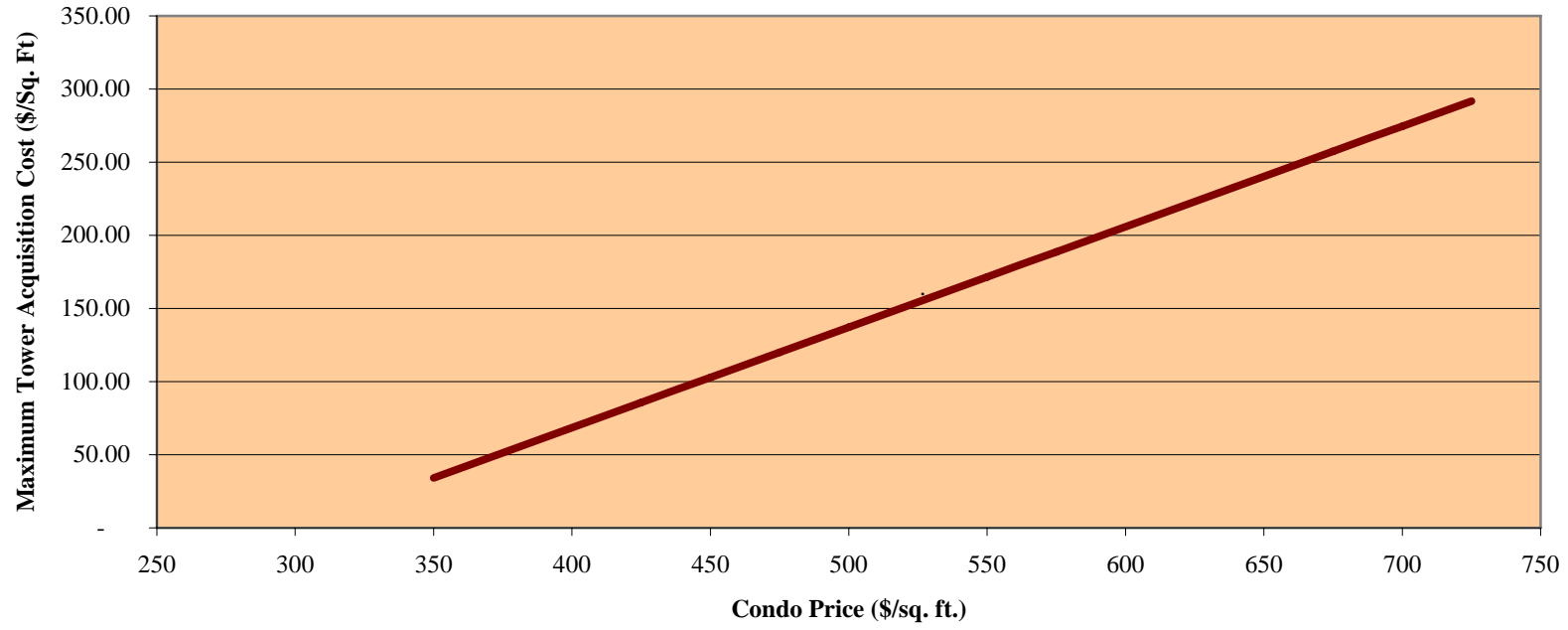
Costs for conversion were estimated from recent pricing exercises for other high-rise buildings in downtown Seattle. Until more details are known, of course, these are estimates only. Nonetheless, the details of costs provide an overall estimate of the expected total costs for completing the conversion. These costs, and an implied margin (or profit) of 15% for the investor led to an evaluation of the expected range of offering prices for the tower. Below is a summary of the expected values for each of the three scenarios.

	Total Costs			Unit Costs		
	Residential			Residential		
	Standard	Student	Condo	Standard	Student	Condo
Building RSF	279,459	279,459	279,459			
Building Gross Area (est. @ 95%)	294,167	294,167	294,167			
Loss to Common Areas/Amenities (a)	25.0%	22.0%	27.5%			
Net Rentable/Saleable Area	220,626	229,451	213,271			
Total Apartment/Condo Units	295	417	250			
Average Size	748	550	853			
Memo: Monthly Rent (\$/unit)	\$ 1,571	\$ 990				
Rents						
Projected Future Rent (Total)	5,559,763	4,956,132		2.10	1.80	500.00
Misc. Income	166,793	148,684		47		
Parking (regular)	389,400	82,566		110		
Parking (additional/exclusive)	132,750	-		38		
Monthly Parking--3rd party	472,890	877,074		134		
Sub-metering, utilities income	123,900	125,100		35.00	25.00	
Storage Income	88,500			25		
Vacancy Losses	(346,700)	(309,478)		(98)		
Concessions	-	-		-		
Residential Expenses (\$/unit/year)	(1,622,500)	(1,563,750)		5,500	3,750	
Retail Revenues (NNN)	-	-		-	-	-
Comercial Vacancy	-	-		-	-	-
Net Operating Income	4,964,796	4,316,328				
Project Value(s) (a)	82,746,606	71,938,800	95,972,104			
Less: cost of Conversion	(35,588,034)	(32,261,001)	(43,222,911)			
Profit Margin on Project @ 15% (min)	(12,411,991)	(10,790,820)	(14,395,816)			
Maximum Building Acq. Value	34,746,581	28,886,979	38,353,377			
Memo: (\$/sq. ft. on Office Area)	\$ 124	\$ 103	\$ 137			

(a) Values based on 6.0 Cap Rate for Apartments, and \$500/sq. ft. for Residential (Less 10% selling costs)

In each case, the potential pricing for successfully acquiring and converting the Safeco Tower is below the value for its use as an office building. However, with the recent escalation in pricing for some luxury highrise condominium units in Seattle, it may be possible to justify a higher acquisition cost for a condominium conversion. The following chart illustrates the impact to potential tower pricing over a range of condo sales points. To achieve parity with an office use, this would appear to require a condominium sales (pricing) point of at least \$600/square foot. This places such a project considerably above the existing market and would require a very careful evaluation of buyer preferences.

Building Price vs. Condo Sales Point



	Total Costs			Unit Costs		
	Residential			Residential		
	Standard	Student	Condo	Standard	Student	Condo
Building RSF	279,459	279,459	279,459			
Building Gross Area (est. @ 95%)	294,167	294,167	294,167			
Loss to Common Areas/Amenities (a)	25.0%	22.0%	27.5%			
Net Rentable/Saleable Area	220,626	229,451	213,271			
Land/Building - Purchase Price	-	-	-			
Land - Legal incl Condo Decl.	-	-	-			
Land - Closing Cost	15,000	15,000	15,000			
Traffic/Market Studies	25,000	25,000	25,000			
Existing Lease Buy-outs	-	-	-			
Existing Loan Defeasance	-	-	-			
Street Work	25,000	25,000	25,000			
Street Utilities	15,000	15,000	15,000			
	80,000	80,000	80,000			
Architecture	1,000,000	1,000,000	1,250,000			
Soil Studies/Survey	-	-	-			
Engineering	350,000	350,000	350,000			
Landscape Eng/Interior Design	150,000	150,000	150,000			
	1,500,000	1,500,000	1,750,000			
Application Fees	20,000	20,000	20,000			
Building Permits/Plan Check	200,000	200,000	200,000			
Other Fees	50,000	50,000	50,000			
Utility Hookup Fees	50,000	50,000	50,000			
	320,000	320,000	320,000			
Taxes/RE	200,000	200,000	200,000			
Bonds	50,000	50,000	50,000			
Insurance	50,000	50,000	750,000			
	300,000	300,000	1,000,000			
Const.Loan Fee	250,000	250,000	250,000			
Const.Title Cost	25,000	25,000	25,000			
Const.Legal Cost	25,000	25,000	25,000			
Const.Loan Guarantee Fee	-	-	-			
Const.Interest Cost	2,508,000	2,508,000	2,508,000			
	2,808,000	2,808,000	2,808,000			
Marketing Costs	50,000	50,000	500,000			
Organization Costs	125,000	125,000	125,000			
Other fees	50,000	50,000	50,000			
	225,000	225,000	675,000			
Perm. Loan Fee	-	-	-			
Perm. Loan Other	-	-	-			
Legal Cost	-	-	-			
	-	-	-			
Management Fee	125,000	125,000	125,000			
Developer Overhead	450,000	450,000	450,000			
	575,000	575,000	575,000			
Construction Cost	27,945,900	25,004,226	32,358,411	\$ 95.00	\$ 85.00	\$ 110.00
WSST @ 8.8%	2,459,239	2,200,372	2,847,540			
Contingency (2.5%)	698,648	625,106	808,960			
NOI After Lease-up	-	-	-			
NOI During Lease-up	(1,323,753)	(1,376,703)	-			
TOTAL PROJECT COST	35,588,034	32,261,001	43,222,911			
	\$ 161.31	\$ 140.60	\$ 202.67			

Notes

- (a) Industry averages are approximately 25%. Student housing will be less (fewer amenities/less common).
Condo value are slightly higher as common walls are excluded from the calculations of saleable areas

Collegiana (Corporate Housing).

This property is relatively small, but does indicate potential value in its existing residential use. The package is unclear as to the sizes and configurations of all units. However, based on the data provided, it appears the units are akin to suite hotel rooms—with spacious room areas but no kitchen or eating facilities. This is mirrored in the units’ relatively small size as well (less than 350 square feet). Nonetheless, they would likely find use either as a small, boutique hotel, or with some additional capital—a small apartment building. The latter was assumed for this analysis in comparison with the potential raw land value as a redevelopment opportunity. As noted below, the “as is” condition exceeds the re-development value.

<i>Collegiana Building Profile</i>			# Units	Floor	Units*
			10	4,470	3,353
			10	4,470	3,353
			9	4,470	3,353
			29	13,410	10,058

Memo: Avg. Unit Size 347 <==Note Small Size

	Total	\$/Unit	\$/Sq. Ft.
Estimated Gross Rents	223,277	\$ 642	\$ 1.85
Less: Vacancy	(11,164)	\$ (32)	(0.09)
Less: Concessions	-	\$ -	-
Net Rents	212,113	610	1.76

* Based on 75% Efficiency (estimate)

Other Income			
RUBS	10,440	\$ 30	\$ 35.00
Parking	-	-	-
Misc.	2,121	6	
Effective Gross Income	224,674		

Cap Rate	Value	(\$/Unit)	(\$/sq ft)	(\$/Land)
4.75%	\$ 2,440,501	\$ 84,155	\$ 242.65	\$ 296
5.00%	2,318,476	79,947	230.52	281
5.25%	2,208,072	76,140	219.54	268
5.50%	2,107,705	72,679	209.57	256
5.75%	2,016,066	69,520	200.45	245
6.00%	1,932,063	66,623	192.10	234

Total Expenses 108,750 \$ 3,750

Estimated Value	2,208,072	76,140	219.54
Less: Cost of RPO	(353,800)	(12,200)	(35.18)
Net Value	1,854,272	63,940	184.37

NOI 115,924

Potential Cost for Kitchenette

Plumbing/Sinks	101,500	3,500
Cabinets	145,000	5,000
Electrical	72,500	2,500
Appliances	34,800	1,200
Total	353,800	12,200

Building A—Retail

This relatively small (11,000 square feet) building is an ideal candidate for use as a single tenant retail building. With good access, on-site parking and good street frontage, this building would be a natural candidate for this use. This would also result in a similar (or higher) value than the raw land—with less risk.

	Floor	Rent (\$/sq. ft.)	
1st Floor	7,700	\$ 22.00	\$ 169,400
Bsmt	3,260	8.00	26,080
	10,960	\$ 17.84	\$ 195,480

	Total	\$/Sq. Ft.
Estimated Gross Rents	195,480	\$ 17.84
Less: Vacancy	(9,774)	(0.89)
Less: Concessions	-	\$ -
Net Rents	185,706	\$ 16.94
Other Income		
Parking	-	-
Misc.	-	-
Effective Gross Income	185,706	\$ 16.94
Total Expenses	-	-
NOI	185,706	16.94

* Based on 75% Efficiency (estimate)

Cap Rate	Value	(\$/sq ft)	(\$/Land)
6.50%	\$ 2,857,015	\$ 260.68	\$ 231.15
6.75%	2,751,200	251.02	222.59
7.00%	2,652,943	242.06	214.64
7.25%	2,561,462	233.71	207.24
7.50%	2,476,080	225.92	200.33
7.75%	2,396,206	218.63	193.87

Estimated Value	2,652,943	242.06	\$ 214.64
Less: Cost of RPO	(271,550)	(24.78)	\$ (21.97)
Net Value	2,381,393	\$ 217.28	\$ 192.67

Potential Cost for Re-Tenancing

TI Allowance	192,500	\$ 17.56
Marketing	5,000	0.46
Commission	74,050	6.76
Total	271,550	\$ 24.78

Surface Lot 1

This property does enjoy existing parking income, however the relatively small value currently in place, does not provide for a reasonable return standard. Utilizing the entirety of the site for 3rd party daily or monthly parking also falls short on the returns. As a result, the property was instead evaluated for its development potential under the current zoning and comparable sales for development sites. Following is a summary of these findings:

Lot Zoning	NC3-85			
Maximum Height	85'			
Maximum FAR	6.0			
Lot Size	40,217			

	Level 7		38,206	28,655
	Level 6		38,206	28,655
	Level 5		38,206	28,655
	Level 4		38,206	28,655
	Level 3		38,206	28,655
	Level 2		38,206	28,655
	Level 1--Retail & Loading	40,217	38,206	34,386
	Level P1--Parking			206,313
	Level P2--Parking			

Memo: Maximum Area per FAR 241,302

* Assumes the following setbacks/reductions

	1st Floor	Others
Site Setback	5.0%	5.0%
Retail Common/Loading	10.0%	0%
Multi-Family Common	0.0%	25%
	15.0%	30.0%

For-Rent Evaluation				
	Area	Avg Size	# Units	Total
Retail	34,386	34,386		\$ 35.00
Residential	171,928	650	265	22,000
	206,313			\$ 7,033,494

Value per Land Foot 175.00

Condominium/For Sale Valuation				
	Area	Avg Size	# Units	Total
Retail	34,386	34,386		\$ 35.00
Residential	171,928	800	215	35,000
	206,313			\$ 8,728,494

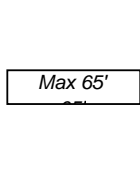
Value per Land Foot 217.00

Surface Lot 2

This location is nearly identical in use to Lot 1, with the exception of a slightly lower zoning height. As a result, the highest and best use remains to re-develop the site—although for a slightly lower amount.

Lot Zoning NC3-65
 Maximum Height 65'
 Maximum FAR 6.0
 Lot Size 33,372

	Lot Area	Gross Area*	Net Rentable*
Level 6		31,703	23,778
Level 5		31,703	23,778
Level 4		31,703	23,778
Level 3		31,703	23,778
Level 2		31,703	23,778
Level 1--Retail & Loading	33,372	31,703	28,533
Level P1--Parking			147,421
Level P2--Parking			



Memo: Maximum Area per FAR 200,232

* Assumes the following setbacks/reductions

	1st Floor	Others
Site Setback	5.0%	5.0%
Retail Common/Loading	10.0%	0%
Multi-Family Common	0.0%	25%
	15.0%	30.0%

For-Rent Evaluation				
	Area	Avg Size	# Units	Total
Retail	28,533	28,533		\$ 998,657
Residential	118,888	650	183	\$ 4,026,000
	147,421			\$ 5,024,657

Value per Land Foot 151.00

Condominium/For Sale Valuation				
	Area	Avg Size	# Units	Total
Retail	28,533	28,533		\$ 998,657
Residential	118,888	800	149	\$ 5,215,000
	147,421			\$ 6,213,657

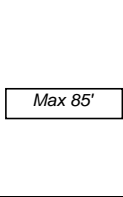
Value per Land Foot 186.00

Adjacent Site—IHOP

The adjacent site is currently occupied by a restaurant with 13 surface parking stalls. Although the in-place rents are relatively low, the site value remains greater if developed to a greater density.

Lot Zoning NC3-85
 Maximum Height 85'
 Maximum FAR 6.0
 Lot Size 8,800

	Lot Area	Gross Area*	Net Rentable*
Level 7		8,360	6,270
Level 6		8,360	6,270
Level 5		8,360	6,270
Level 4		8,360	6,270
Level 3		8,360	6,270
Level 2		8,360	6,270
Level 1--Retail & Loading	8,800	8,360	7,524
Level P1--Parking			45,144
Level P2--Parking			



Memo: Maximum Area per FAR 52,800

* Assumes the following setbacks/reductions

	1st Floor	Others
Site Setback	5.0%	5.0%
Retail Common/Loading	10.0%	0%
Multi-Family Common	0.0%	25%
	15.0%	30.0%

For-Rent Evaluation					
	Area	Avg Size	# Units	Value	Total
Retail	7,524	7,524		\$ 35.00	\$ 263,340
Residential	37,620	650	58	22,000	1,276,000
	45,144				\$ 1,539,340

Income Approach	Existing	New**
Annual Gross Rents	58,620	81,000
Less: Vacancy	(2,931)	(4,050)
Net Rents	55,689	76,950

Value per Land Foot 175.00

Condominium/For Sale Valuation					
	Area	Avg Size	# Units	Value	Total
Retail	7,524	7,524		\$ 35.00	\$ 263,340
Residential	37,620	800	47	35,000	1,645,000
	45,144				\$ 1,908,340

Value per Land Foot 217.00

** Assumes re-let for higher, mkt rents

Cap Rate	Existing		new	
	Value	(\$/Land)	Value	(\$/Land)
6.25%	\$ 891,024	101.25	1,231,200	139.91
6.50%	\$ 856,754	97.36	1,183,846	134.53
6.75%	\$ 825,022	93.75	1,140,000	129.55
7.00%	\$ 795,557	90.40	1,099,286	124.92
7.25%	\$ 768,124	87.29	1,061,379	120.61
7.50%	\$ 742,520	84.38	1,026,000	116.59

Safeco Acquisition
Sources and Uses of Funds
(in millions)

Sources of Funds

State Capital Contribution for Data Center	20
University Contribution for Fees and Moving Costs	11
Debt	138
Total Sources of Funds	169

Uses of Funds

Office Tower and Surrounding Buildings	104
Parking Garages	10
Surface Lots and Collegiana	16
Total Acquisition Cost	130
Tenant Improvements	
Data Center	20
Office	7
Total Tenant Improvements	27
Lease Termination Costs	8
Moving Costs	3
Costs of Issuance	1
Total Other Costs	12
Total Uses of Funds	169