

B. Finance, Audit and Facilities Committee

UW Tower Capital ImprovementsRECOMMENDED ACTIONS:

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

- 1) financing the construction of various infrastructure and tenant improvement projects at UW Tower through the issuance of up to \$13 million in short term notes (commercial paper) and the issuance of long term debt in the amount required to pay off the notes when UW General Revenue Bonds are next issued, and
- 2) delegation of authority to the president or his designee to execute documents as required to complete the interim and permanent financings, including the authority to set maturities and roll periods for the short term notes and enter into a rate lock prior to obtaining permanent financing.

BACKGROUND:

The current proforma shows a smaller overall deficit when compared to the one prepared in 2006 for the purchase analysis of the Tower properties. The major differences are the \$2.6M annual state contribution for operations and maintenance, slightly lower expense for O&M and reserves, higher rent revenue from Safeco for the first two years, and lower debt service in FY 2008.

When the UW Tower was purchased in 2006, the capital costs involved in preparing the building for university occupancy were estimated at \$9.1 million and built into the proforma that was presented to the regents in August 2006. Examples of these costs included tenant improvement allowances, installation of the computing and communications infrastructure, and capitalized moving costs.

As the university now transitions into full occupancy of the UW Tower properties, additional costs have been identified totaling \$3.9 million, bringing the total cost of preparing the building for occupancy to nearly \$13 million. After purchasing the building, it was determined that much of the electrical wiring required replacement and that a variety of improvements to the common areas were necessary. In addition, the original proforma did not include costs for space programming, reconfiguration of the donated furniture, and equipment.

FINANCING PLAN:

The debt service for these capital improvements is built into the building-wide rent rate and will be paid from tenant rents, indirect cost recovery from grants,

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and central funds. Treasury Office, in conjunction with the Office of Planning and Budgeting and the Real Estate Office, has reviewed the occupancy plan and believe that the rental revenues and planned central contribution to the projects are sufficient to pay the debt.

The sources and uses for these projects are as follows:

Sources and Uses of Funds

Sources of Funds

Short / Long Term Debt	12,989,000
Total Sources of Funds	12,989,000

Uses of Funds

Tenant Improvement Allowance	5,105,000
Computing Infrastructure / Data Wiring	3,985,000
Capitalized Repairs and Common Area Improvements	1,350,000
Space Planning and Programming	803,000
Interior Signage	196,000
Other Capital Costs	1,421,000
Debt Cost of Issuance	129,000
Total Uses of Funds	12,989,000

REVIEWS AND APPROVALS:

The financing plan has been reviewed and approved by the Senior Vice President for Finance and Facilities and the Vice Provost for Planning and Budgeting.

Attachment: Ten year UW Tower proforma

UW Tower Ten Year Proforma (in 000's)

<u>Revenue (1)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Safeco Rent	8,137	3,613	-	-	-	-	-	-	-	-
Lease Consolidation (2)	-	1,140	5,700	6,141	6,590	7,047	7,513	7,987	8,067	8,148
Indirect Cost Recovery	-	300	1,500	1,515	1,530	1,545	1,561	1,577	1,592	1,608
State Contribution to O&M	-	1,282	2,619	2,619	2,619	2,619	2,619	2,619	2,619	2,619
Total Revenue	8,137	6,335	9,819	10,275	10,739	11,211	11,693	12,183	12,278	12,375
<u>Expenses</u>										
Building Debt Service	5,164	4,070	7,656	7,656	7,656	7,656	7,656	7,656	7,656	7,656
Debt Service: Capital Improvements	-	-	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
O&M and Reserves	219	1,420	4,580	4,717	4,859	5,005	5,155	5,309	5,469	5,633
Moving and Lease Termination	367	4,653	3,500	-	-	-	-	-	-	-
Total Expenses	5,750	10,143	17,036	13,673	13,815	13,961	14,111	14,265	14,425	14,589
Total Cash Flow	2,387	(3,808)	(7,217)	(3,399)	(3,076)	(2,749)	(2,418)	(2,083)	(2,146)	(2,214)
Total Cash Flow Estimate 8/06	1,585	(7,593)	(11,370)	(6,961)	(4,339)	(4,227)	(4,111)	(3,990)	(3,865)	(3,736)
Variance	802	3,785	4,153	3,563	1,263	1,478	1,692	1,907	1,718	1,522

NOTES:

(1) Includes UW Tower and Buildings O,C, and S. Does not include surface lots, parking garage, Collegiana, and data center.

(2) Self sustaining and leased space only.

ATTACHMENT