VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

Efficiencies Item – UW Real Estate Office

For information only.

BACKGROUND

The University of Washington Real Estate Office (UWRE) provides strategic asset management and comprehensive real estate services in support of the University’s mission of teaching, research, and community service.

The University’s real estate services requirements are extensive and include campus property acquisitions; managing significant commercial real estate holdings in downtown Seattle; leasing office, laboratory, clinic, residential, and industrial space in the greater Seattle area; the provision of auxiliary services via retail leases; international leasing; managing access to owned property; managing real estate gifts; and the sale of surplus property.

Among our peer universities, UWRE has one of the largest and most varied portfolios under management. This is largely due to 3 factors:

1) the University’s success at generating federal research funding has led to a significant amount of off-campus leasing to meet space needs;

2) the Metropolitan Tract is unique as a commercially developed center city asset still owned after more than 150 years; and

3) the regional and international reach of UW drives a variety of real estate requirements, from property permits for a network of seismic stations throughout the Pacific Northwest, to clinical training facilities in Africa.

As a central services organization, UWRE has a history of creative approaches to deliver real estate solutions. We were an early adopter of public private partnerships, and more than twenty years ago accomplished the first University real estate project financed with tax-exempt lease revenue bonds, in collaboration with UW Treasury. This led to many more similarly financed projects over the next two decades, including residential, clinical, office and laboratory facilities. Other public agencies followed our lead, and now this type of financing is common throughout Washington as well as other states.

UWRE has an office culture that values continuous improvement and increased efficiency. In 2009, as part of Finance & Facilities, we adopted a modified version of
VII. STANDING COMMITTEES

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Efficiencies Item – UW Real Estate Office (continued pg. 2)

Lean, with 100% engagement among our staff. Even our interns have led process improvement initiatives.

Some examples of improvement projects include:

1) Streamlining data management through a unified geographic-based categorization of all records and an improved electronic records system, resulting in faster retrieval and more accurate information upon request. This was a foundational efficiency effort, because UWRE is responsible for more than a century’s worth of real estate records.

2) Collaborating with UW IT, UWMC, Capital Projects, and Health Sciences Facilities to improve the process for approving and managing communication infrastructure, including roof top antennas and distributed antenna systems. The new process helps ensure that wireless services meet the needs of the campus community with minimal disruption.

3) Instituting an annual property inspection program, and creating a process for qualified vendors to provide inspection reports, tracked in our property management data system. The primary goal of this improvement effort was to reduce risk and potential liability. A secondary goal was to improve capital planning and increase accuracy on the amount of reserves needed for future repairs.

4) Developing a short-term residential leasing program to provide visiting international students with flexible housing options on short notice close to campus. The program allows short-stay students to concentrate on their educational experience with minimal housing hassles.

UWRE is proud to support the University’s mission of teaching, research, and community service through real estate solutions.

Attachment
UW Real Estate presentation
UW Real Estate

Board of Regents
Finance and Asset Management Committee
March 12, 2015

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We serve the University’s real estate interests around the world

University Customers

- UW Seattle, Tacoma and Bothell
- School of Medicine
- UW Medicine
- Harborview
- Educational Outreach
- School of Public Health
- College of Arts & Sciences
- College of the Environment
- Global Affairs
- I-TECH
We provide strategic asset management and comprehensive real estate services

University Property
25.9M SF built property

UWRE Managed
5.9M SF

5.9M SF Managed by UWRE

SF by Role
- Metropolitan Tract 2.3M
- UW as Tenant 1.7M
- UW Owned/Occupied 1M
- UW as Landlord 0.9M

SF by Type
- Office 2.5M
- Warehouse 0.45M
- Lab 0.41M
- Retail 0.34M
- Residential 0.57M
- Hotel 0.53M

University Property
20M SF
We manage a varied portfolio of commercial and research properties

Real Estate Services Provided

- Asset management
- Property management
- Facility management
- Lease negotiation
- Project management
- Tenant improvement
- Lease administration
- Rent collection/payment
- Property rights (easements, permits)
- Gifts acceptance and sale
- Acquisitions and dispositions
- Reporting and data management

2014 Portfolio Facts

- $1.62B Portfolio
  - $800M University owned/managed property
  - $820M lease obligation as tenant
- $180M Real Property Budget
- $3.5M Gifts Processed
- 3,250 Contracts Managed
- 5.9M SF Managed
- 250 Property Rights Managed
  - Easements, access, seismic, field research
- 7,400 Acres Stewardship
  - 3 campuses, forest, and research lands
- 400 Transactions Completed
- $50M Purchases & Sales Completed
We set goals to support the University’s mission

2013 - 2015 Strategic Goals

- Improve Efficiency for Customers
- Improve Asset Performance
- Implement Cost Recovery
- Increase Student Connections & Career Opportunities
- Foster Culture of Innovation & Improvement
- Strengthen Communication & Reporting
We embrace innovation and a culture of continuous improvement

- 8.6% increase in SF managed per FTE from 2013 to 2014
  - Headcount stabilized at 19 FTE since 2008

- Process improvements via modified Lean system adopted in 2009 resulted in:
  - Partnered with 10 customers/process partners to improve work processes and communication
  - 29 processes established or improved
  - Reduced risk
  - $1M in cost avoidance
  - 100% employee participation

- Cost avoidance of $2.8M through negotiations on leases, purchases, and sales

- Cost recovery model contributed $1.1M within first 2 years of implementation
We provide excellent customer service

On UW Medicine’s Maternal Fetal Medicine Clinic expansion in Smoky Point, WA:

“...thank you for your expertise, leadership, and due diligence in the strategic planning and expanding UW Medicine’s presence...your efforts help ensure that our patients will continue to have access to the highest quality care...”

- Johnese Spisso, Chief Health System Officer, UW Medicine & Vice President for Medical Affairs, UW

On leasing space for a new engineering grant:

“...You (Rada) and Ben have been exceptional. Michael Glidden mentioned that REO was incredibly efficient and fast, but I had to see you in action to believe how good you are. Thanks much.”

- Santosh Devasia, Associate Dean of Research and Faculty Affairs, College of Engineering

On Startup Hall:

“...people around the world are excited about what you all are doing and are most definitely paying attention. Nate does a great job explaining what Startup Hall and the University are trying to accomplish, and how the mission is grander than a co-working space.”

- Chet Kittleson, Director of Strategic Partnerships, UpGlobal
We engage with students to enhance learning and employability

Interns & Student Employees

- Runstad Intern (1)
- GIS Intern (1)
- Startup Hall Intern (1)
- Student Employees (2)
- Prior Interns now employed at
  - Startup Hall (2013-14 Runstad Intern)
  - Spectrum Development (2012-13 Runstad Intern)
  - Starbucks Corporate Real Estate (2011-12 Runstad Intern)

Student Volunteers

- Startup Hall (13)

Presentations to Student Groups

- UW Runstad Center Student Orientation
- UW Student Real Estate Club
- Foster School of Business
- Evans School of Public Affairs

Case Studies, Professional Networking Opportunities & Sponsorship

- Metropolitan Tract
- UWMC Laundry Facility Site Study
- Urban Land Institute’s Young Leadership Group Real Estate Panel
We celebrate success and are recognized by our peers

2014 Achievements

• Metropolitan Tract
  o Transition to UW ownership with end of +100 year ground lease
  o Rainier Square Redevelopment with 80 year ground lease; 1.2M SF; $600M
  o Acquisition of Cobb Building
  o Start of hotel capital improvement project
• Startup Hall opened
• Bryant Building transfer to City of Seattle for new regional waterfront park

Awards

• 2015 Distinguished Staff Award Nomination (Jeremy Eknoian)
• 2014 Distinguished Staff Award Nomination (Jeanette Henderson)
• 2014 The Whole U: Leading Fork Appreciation Award (Steve Kennard)

Boards

• UW Runstad Center for Real Estate Studies
• Downtown Seattle Association
• U District Partnership
• Association of University Real Estate Officers
• Urban Land Institute
• CoreNet
• Pacific Real Estate Institute
Organizational Structure

ACRE Members
- Jeff Brotman
  Chair
- Curtis Feeny
- Michael Giliberto
- James Kenyon
- Roslyn Payne
- Stuart Sloan
- Gary Waterman
- Regent Herb Simon
  Interim President Ana Mari Cauce
  ex officio

UWRE
- Todd Timberlake
  Chief Real Estate Officer
- Jeanette Henderson
  Executive Director
- Steve Kennard
  Director of Operations
- Tom Schappacher
  Director of Finance