



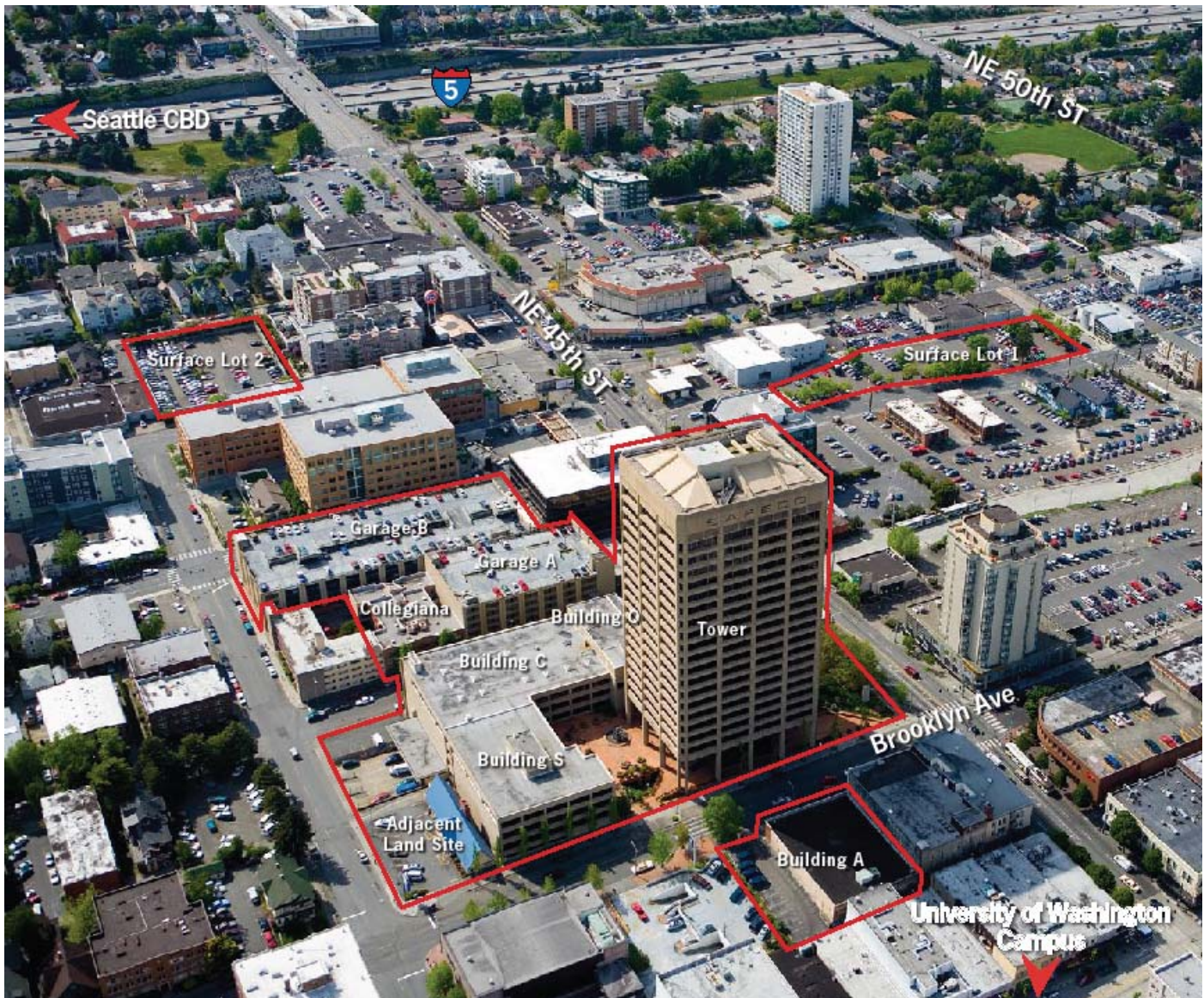
Planning and Budgeting Brief

Date Prepared: July 30, 2009
Subject: **UW Tower Properties**

Background

The University of Washington acquired a portfolio of properties (now known as UW Tower Properties) from Safeco Insurance in September 2006. This acquisition provided a landmark opportunity to bring together related university activities dispersed around the Seattle area, and created opportunities to meet long term university program needs.

The property portfolio was acquired for a total of \$130 million and included: the Tower and Office Buildings O, C, and S; the Collegiana (a 29-unit residential building); a 727-stall parking structure; Building A; an adjacent land site; and two surface parking lots. The 510,546 square foot Tower and Buildings O, C, and S, valued at approximately \$104 million in 2006 (about \$200 per SF), were acquired at a cost of approximately one third the average cost of new construction.





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<u>Property Name</u>	<u>Square Feet (SF)</u>	<u>Description / Features</u>
UW Tower	279,459 SF	22 floors including lobby and sub-level floor
Building O	71,267 SF	Low rise buildings: 4 floors above sub-level floor
Building C	102,804 SF	Cafeteria, 200 seat auditorium, loading dock
Building S	<u>57,016 SF</u>	Connected to tower under plaza level
Total	510,546 SF	
Building A	10,960 SF	1 floor street level 7,700 SF; basement 3,260 SF
Collegiana	13,409 SF	29 residential units on 3 floors; shared kitchens
Parking Garage A, B	250,000 SF	727 parking spaces connected via sky-bridge
Adjacent Land Site	8,800 SF	South of Building S (formerly I-HOP restaurant)
Surface Lot 1	40,217 SF	159 total parking spaces (currently leased to non-UW use)
Surface Lot 2	33,372 SF	106 total parking spaces (currently leased to non-UW use)

UW Tower Occupancy Plan

The UW Tower Planning Advisory Committee was appointed by Provost Phyllis Wise in October, 2006 and asked to develop planning and occupancy recommendations for the UW Tower properties aimed at ensuring the maximum benefit to the university. The Committee's final report and recommendations for space assignments were presented to the Provost in June 2007.

Approximately 65% of the office space, or 335,000 SF was assigned to units consolidating functions from existing off-campus leases. The remaining 35% or 165,000 SF was assigned to centrally funded programs that had been occupying space on campus, and new program uses such as the Data Center.

The UW Tower is now home to more than 20 departments, with a combined total of approximately 1,500 employees. The largest occupants include UW Medical Center, UW Educational Outreach, University Advancement and University Press. A number of UW administrative, service and support groups are located here, including the Office of Planning and Budgeting, Attorney General's Office, Real Estate Office, Office of Research, Office of Information Management, and UW Technology. The Schools of Public Health, Nursing and Social Work also have research groups located in the UW Tower.

As part of the purchase agreement, Safeco continued to occupy and lease space in the building through the end of 2007. The UW started moving departments into the building in February 2008. By July 2008 approximately 50% of the building was occupied, and was 75% full by January 2009. A new primary University of Washington Data Center is currently under construction in Building C. The Tower and Buildings O, C, and S are expected to be fully occupied in early 2010 once the Data Center project is complete, and office space impacted by its construction becomes available for use.

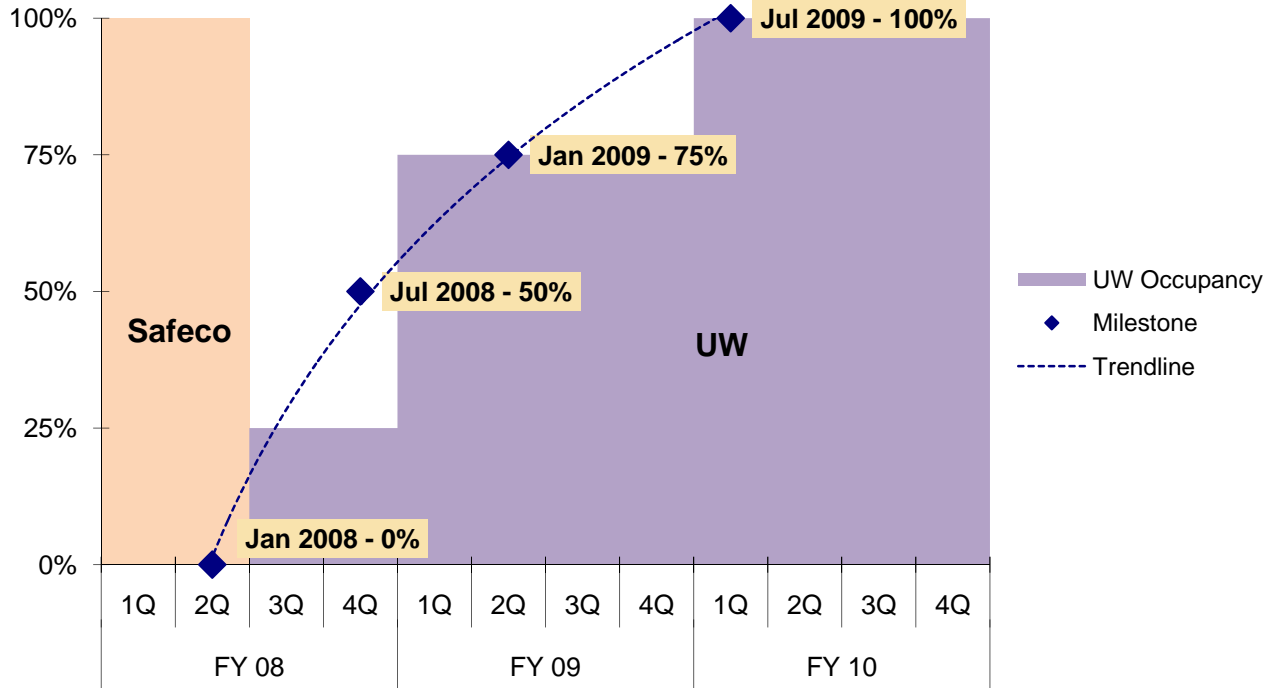
A welcome center, the "UW Alumni Commons," hosted by the UW Alumni Association, will be located in Building S adjacent to the public central plaza. The UW Alumni Commons is currently in the design stage with construction scheduled to begin in the fall of 2009.

The 22nd floor of the Tower is reserved for use as meeting and conference space, along with the 200 seat auditorium located on the 4th floor of Building O. The meeting space is used primarily by building occupants, but is also available for use by the larger UW community. This conference space serves individuals and groups from the neighborhood, the city, the state, and from around the world.



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UW Tower - Occupancy Schedule



Capital Improvements

The University of Washington invested approximately \$12.9 million (about \$25/SF) on capital improvements in the buildings to prepare them for occupancy. Improvements included emergency system controls and fire alarm system upgrades, fiber optic communications infrastructure and new electrical and data wiring to all workstations throughout the Tower and Buildings O, C and S. Energy-efficient lighting was also installed throughout the buildings as well as new paint and new carpet in selected areas.

The redesigned floor plans re-used existing open office furniture systems in most areas – saving approximately \$10 million over the purchase of new systems. This furniture re-use project, one of the largest in the country, also successfully kept tons of material out of the local-regional waste stream. The comprehensive use of the open office work environment saved an even greater amount of money compared to cost of converting to private offices.

Financial Plan

By following consistent space assignment criteria, keeping to the occupancy schedule, and staying within established move-in budgets, the projected building cash flows are in-line with the original financial plan. The annual UW Tower budget is shown below in millions (\$M).

UW Tower Annual Expenses

Debt Service (Acquisition and Capital Financing Cost)	\$ 9.7M
Operating & Maintenance Cost	\$ 4.3M
Total Annual Budget	\$ 14.0M

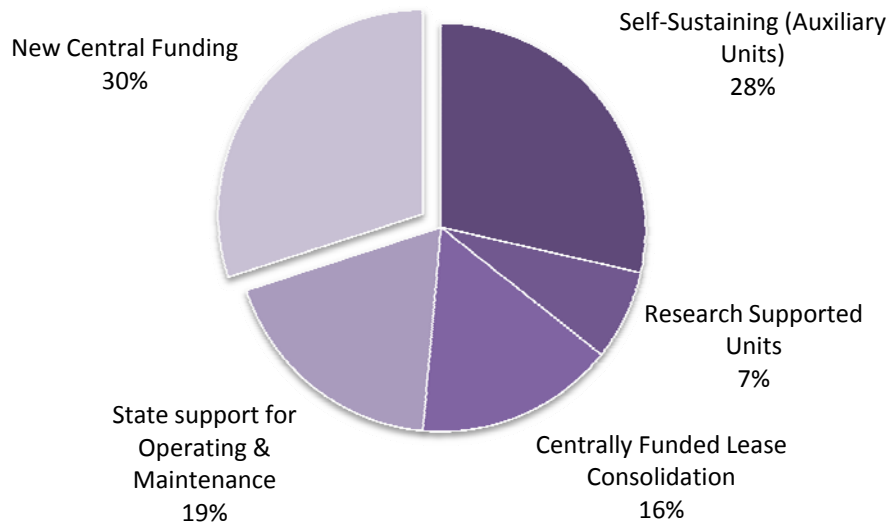


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Rent for space in the UW Tower is assessed to all occupants at a rate of \$27.50 per rentable square feet. The rental rate was established to recover actual costs. This rate is competitive with average market rental rates in the University District area. Through ownership the UW has the ability to control occupancy costs over time rather than face escalation of future market rents.

UW Tower Annual Rent Revenue

Self-Sustaining (Auxiliary Units)	\$ 4.0M
Research Supported Units	\$ 1.0M
Centrally Funded Lease Consolidation	\$ 2.2M
State support for Operating & Maintenance	\$ 2.6M
New Central Funding	\$ 4.2M
Total All Revenue Sources	\$ 14.0M



The Collegiana is assigned to the UW Medical Center (UWMC) for use as patient family housing. Debt service and operating costs are fully supported by UWMC.

The structured parking garages are debt funded and supported by parking revenue. They are operated and maintained by UW Transportation Services. Structural restoration and repair projects are currently underway to restore their original design integrity.

Building A, the adjacent land site, and the surface lots are currently being used for low intensity activities. Lease revenues on these sites do not fully support their share of the debt service. The real value of these properties is represented by their future development potential.

The cost to build the Data Center in Building C was funded separately (\$20M state funds and \$12M debt funds). The data center is scheduled to be complete in Fall 2009, and will be operational in early 2010. Operating costs will be supported by a combination of institutional allocations for Operating & Maintenance, and use fees.