

**VII. STANDING COMMITTEES****B. Finance, Audit and Facilities Committee**Metropolitan Tract - 2012 Unico Capital Expenditure BudgetRECOMMENDED ACTION

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents approve reimbursement of up to \$4 million in capital expenditures by Unico Properties, LLC, for capital and tenant improvements requested in its 2012 Capital Expenditure Plan for the buildings on the Metropolitan Tract. The \$4 million is comprised of up to \$2.2 million for capital improvements and up to \$1.8 million for tenant improvements.

CAPITAL IMPROVEMENTS

Capital projects are proposed by building and are prioritized by life safety, rent enhancement and energy savings potential.

The recommended 2012 capital improvement reimbursement is \$2.2 million. These investments are intended to improve the quality of the buildings in order to be competitive in the leasing market, as well as enhance energy efficiency and promote sustainability. The 2012 capital improvements are primarily focused on energy saving upgrades, exterior building repair, completion of sprinkler systems, and improving vacant tenant space for lease.

TENANT IMPROVEMENTS

The lease with Unico requires the University to reimburse Unico for tenant improvements subject to achieving agreed upon rent and return thresholds in accordance with an annual Tenant Improvement Plan consistent with "Seattle Market Standards." The University undertakes a collaborative effort with Unico each year to establish the Tenant Improvement Plan. Each lease then completed during the year is measured against the budget established as part of the Tenant Improvement Plan prior to approval of reimbursement of the tenant improvement costs.

The recommended 2012 tenant improvement reimbursement is \$1.8 million. This amount is based on anticipated leasing of existing vacant space and leases due to expire in 2012, and the anticipated amount of investment necessary for occupancy of this space by new tenants. However, it is likely that actual expenditures will be less than this amount unless all budgeted leasing is achieved. Budgeted leasing during 2012 is based on projected leasing of approximately 90,000 square feet and an average tenant improvement investment of \$20/sf.

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2012 Budget vs. 2011 Budget

2012	Capital Improvements	Tenant Improvements	Total Capital Expenditures
Rainier Tower & Square	121,531	538,650	660,181
Financial Center	905,754	88,640	994,394
IBM Building	63,643	767,785	831,428
Puget Sound Plaza	764,624	342,575	1,107,199
Skinner Building	359,668	27,246	386,914
Met Tract Studies	25,000		25,000
<b>TOTAL</b>	<b>\$2,240,220</b>	<b>\$1,764,896</b>	<b>\$4,005,116</b>

2011	Capital Improvements	Tenant Improvements	Total Capital Expenditures
Rainier Tower & Square	498,163	887,295	1,385,458
Financial Center	76,641	224,853	301,494
IBM Building	759,861	326,250	1,086,111
Puget Sound Plaza	629,230	584,485	1,213,715
Skinner Building	140,941	124,160	265,101
Met Tract Studies	25,000		25,000
<b>TOTAL</b>	<b>\$2,129,836</b>	<b>\$2,147,043</b>	<b>\$4,276,879</b>

The decrease from 2011 to 2012 relates to the completion of significant multi-year projects in 2011 as well as conservative lease up estimates for 2012.

REVIEW AND APPROVALS

This recommendation has been reviewed by the Senior Vice President, the Chief Real Estate Officer, and the Advisory Committee on Real Estate (ACRE).