

HOUSE BILL REPORT

ESHB 1991

As Passed Legislature

Title: An act relating to the university tract.

Brief Description: Consolidating statutes that authorize the board of regents of the University of Washington to control university property.

Sponsors: By House Committee on Capital Budget (Originally sponsored by Representatives Murray and Mitchell).

Brief History:

Committee Activity:

Capital Budget: 2/25/99, 3/8/99 [DPS].

Floor Activity:

Passed House: 4/1/99, 95-0.

Senate Amended.

Passed Senate: 4/14/99, 49-0.

House Concurred.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Gives the Board of Regents general authority to manage the Metropolitan Tract and authorizes the Board to lease the buildings and land for terms up to 80 years.
- Deposits the net proceeds from lease revenues into a bond retirement account and any revenue in excess of bond payments are transferred into the UW Building Account for the benefit of the University.
- Requires biennial performance reports on the Metropolitan Tract.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Mitchell, Republican Co-Chair; Murray, Democratic Co-Chair; Edmonds, Democratic Vice Chair; Esser, Republican Vice Chair; Anderson; Barlean; Constantine; Dunshee; Lantz; Mastin; Miloscia; O'Brien and Ogden.

Minority Report: Do not pass. Signed by 5 members: Representatives Alexander; Bush; Hankins; Koster and Schoesler.

Staff: Bill Robinson (786-7140).

Background:

In 1860, the Legislative Assembly of the Washington Territory established a university in Seattle, provided that 10 acres of land suitable for a university would be "executed" to the territory. The following year, three families donated a forested 10 acre knoll overlooking Elliott Bay, fulfilling the Legislature's stipulation. The University of Washington operated on this site until it could no longer accommodate the growth of the university. In 1893, the Legislature appropriated money for the acquisition of land at Montlake, which is the present campus of the University of Washington.

The state retained ownership of the original 10 acre university site, which is now the center of downtown Seattle, when the university moved to its present campus in 1895. The site, known as the Metropolitan Tract, contains more than 1.4 million sq. ft. of rentable office space, 230,000 sq. ft. of commercial space, and 450 hotel rooms and access to more than 2,000 parking spaces. The entire Metropolitan Tract is managed under the direction of the Board of Regents of the University of Washington and is leased to two lessees. One, the Four Seasons Olympic Hotel and Garage began leasing in 1952 with the current lease expiring in 2040. The other, UNICO Properties, began leasing the remainder of the tract in 1953 with an expiration date of 2014.

One of the policies adopted by the Board of Regents for the management of the Metropolitan Tract is that the university provide all the funds for building modernization and new construction out of its lease revenues in order to retain control over condition of the buildings, particularly in later years of the lease, as well as to reduce risk for the lessee. Over the years, the university has reinvested lease revenues into the development of the Metropolitan Tract resulting in an appreciating asset valued in excess of \$150 million.

The university is reviewing its long-term strategy for the Metropolitan Tract and is seeking more management flexibility from the Legislature.

Summary of Bill:

The Board of Regents of the University of Washington is authorized to lease the Metropolitan Tract property for up to 80 years. The Board is also given full control over the tract to manage, operate, lease, borrow funds, and incur indebtedness as any other property of the university.

A new nonappropriated local bond retirement account is created. The net proceeds from leases on the Metropolitan Tract must be deposited into the facilities bond retirement account. Funds in the facilities bond retirement account that are in excess of debt services needs must be transferred to the University of Washington Building Account.

The Board of Regents must provide a report on all transactions of the Metropolitan Tract to the Joint Legislative Audit and Review Committee every two years.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The University of Washington has developed a long-term strategic plan for the Metropolitan Tract to sustain the level of revenues to the university. The tract was donated to the state for the support of the university in 1861. This valuable asset needs reinvestment, access to private resources, and flexible lease management to remain competitive in the commercial market. Obsolete language and references to the university's authority to manage the Metropolitan Tract need to be updated and new reporting requirements are necessary to fulfill the Legislature's goal for more accountability. The lack of fee title to the university reduces the negotiating leverage in the real estate industry and the lack of flexibility reduces the potential pool of lessees.

Testimony Against: None.

Testified: Weldon Ihrig and David Haworth, University of Washington; and Craig Kinzer, Kinzer & Company.