

SENATE BILL REPORT

ESHB 1991

As Reported By Senate Committee On:
Ways & Means, April 12, 1999

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: House Committee on Capital Budget (originally sponsored by Representatives Murray and Mitchell).

Brief History:

Committee Activity: Ways & Means: 4/12/99 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, West, Winsley, Wojahn and Zarelli.

Staff: Michael Groesch (786-7434)

Background: In 1860, the Legislative Assembly of the Washington Territory established a university in Seattle, provided that ten acres of land suitable for a university would be "executed" to the territory. The following year, three families donated a forested ten 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 ten 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, 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 Amended Bill: The Board of Regents of the University of Washington may enter into leases of the Metropolitan Tract land or buildings for a term not to exceed 80 years. The Board of Regents is given full control over the tract to manage, operate, lease, borrow funds, and incur indebtedness as any other property of the university subject to the limitations on lease terms. The board may sell buildings or improvements to buildings for the support and maintenance of the university. However, the board cannot sell any part of the land without legislative approval.

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.

The net proceeds from leases on the Metropolitan Tract must be deposited into the facilities bond retirement account, a nonappropriated local fund. 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.

Amended Bill Compared to Substitute Bill: In the substitute bill, title to the land and properties of the Metropolitan Tract were transferred to the Board of Regents of the University of Washington. The substitute bill did not establish the new account for debt service payments, nor did it require transfer of excess funds to the University of Washington Building Account.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: None.

Testimony Against: None.

Testified: No one.