

McCutcheon, John

Aug 48

DAHLCO 364 E - WEN

1 In the next few minutes I want to tell you the story
2 about ten acres which you own in the heart of Seattle, how you
3 came to own it, and what is liable to happen to it in the near
4 future unless we are wide awake to what is going on.

5 In 1861 Seattle was a village. There was a struggle
6 going on in the Territorial Legislature as to whether the
7 University should be located in King County or at Boisfort in
8 Lewis County. Seattle was decided upon because Messrs. Arthur
9 Denny, Edward Lander, and Charles Terry gave ten acres in
10 Seattle for a university site. The memory of these patriotic
11 men should be enshrined in the murals soon to be painted in
12 the Legislative halls of the State Capitol, because the land
13 they gave to you and men and our children is now worth about
14 ~~fifty~~ ^{seventy} million dollars. These far-sighted pioneers would turn
15 over in their graves if we should, by our ignorance and
16 stupidity turn this property over to private exploitation.

17 I will describe the land in terms that can be understood
18 by anyone who has ever been in Seattle.

19 In the heart of downtown Seattle in the area approximately
20 enclosed by Third Avenue on the west and Sixth Avenue on the
21 east, by Union Street on the north and Seneca Street on the
22 south, lies this ten-acre tract, known as the "University
23 Tract," or often referred to as the "Metropolitan Tract,"
24 because it is leased from the State of Washington by The
25 Metropolitan Building Company. On this tract of about ten
26 acres are located the Olympic Hotel, the Metropolitan Theatre
27 the White-Henry-Stuart, ^{STIMSON} Cobb, Douglas and Skinner Buildings
28 Magnin's exclusive Dress Shop, Littler's Men's Store and
29 dozens of leading businesses and others of Seattle's finest
30 commercial structures. The lease of the Metropolitan

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DAHLCO 384 E - W6N

1 Building Company will expire in 1954, at which time, unless
2 the lease is renewed, the lands and buildings will revert
3 back to the State of Washington for the use and benefit of the
4 University. The question that is pressing ever closer, and
5 which must soon be decided by the Legislature is, what is the
6 best solution for the handling of this tract, as far as the
7 people of this State are concerned. It is an immensely
8 valuable piece of property, the development of which is most
9 important to the City of Seattle and the earnings from which
10 the University will derive great benefits.

11
12 In 1904 the State of Washington leased this acreage to
13 James A. Moore, who later assigned the lease to the
14 Metropolitan Building Company. The company built the buildings
15 which I have mentioned.

16 This lease will expire November 1, 1954. The fixed
17 rental received by the State is as follows:

18	1907 to 1912.....	\$15,000.00 per year	
19	1912 to 1922.....	\$40,000.00	" "
20	1922 - 1932.....	\$80,000.00	" "
21	1932 - 1942.....	\$100,000.00	" "
22	1942 - 1954.....	\$140,000.00	" "

23 This rental seems low but it was fixed at such a figure
24 as would allow the Metropolitan Building Company to make a
25 profit and also amortize the cost of the buildings, they
26 constructed. That is, repay themselves for their construction
27 costs.

28 Leases can be changed and renewed at any time even prior
29 to their expiration.

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DAHLCO 38 1/2 E - 184N

1 On numerous occasions efforts have been made by the
2 Metropolitan Building Company to renew this lease. In fact,
3 an effort was made to open the door to such a renewal in the
4 last session of the Legislature, a move which I vigorously
5 opposed. It was defeated.

6 Have the Board of Regents the power to renew this lease
7 either before or after its expiration?

8 No. Due to previous efforts to renew the lease, the
9 Legislature passed a law in 19323 forbidding the Board of
10 Regents to sell, lease, release or make any other disposition
11 of, or extend or modify the present lease, until authorized or
12 empowered to do so by Statute enacted by the Legislature.

13 Has the Company asked for a renewal recently?

14 Yes. In 1946 they made a proposition that was rejected.

15 You may ask, "Do I favor a renewal of the Lease?"

16 No--and for this reason. A lease is a contract and this
17 one should be allowed to expire, without any hard feelings on
18 either side. The people of the State of Washington will then
19 own this vastly valuable property in the heart of downtown ^{Seattle} and
20 can decide what they want to do with it.

21 I favor a University Management definitely after 1954.
22 The property is so strategically located that its value cannot
23 depreciate, but on the contrary will constantly increase. The
24 compelling and clinching argument in favor of a State
25 operation comes from the increase in revenue which the State
26 will receive from a University Management over a private
27 management. This will be money in the pockets of every tax
28 payer in the State.

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1 The Metropolitan Building Company ^{and the Olympic Hotel Corp each} pays 38% of ^{their} net
2 income to the Federal Government in income taxes. The
3 University, on the other hand, would be entirely exempt from
4 Federal taxes, used for educational purposes.

5 From 1940 to 1945 the Metropolitan Building Company ^{alone} paid
6 \$1,748,000.00 in Federal income taxes. These taxes would be
7 saved for education under a University Management.

8 ~~At this point~~ I would like to read to you part of a most
9 interesting report of the Board of Regents, which appears on
10 page 20 of the 1947 Legislative Interim Report: It is as
11 follows:

12 *I* Quote

13 To the Legislative Interim Committee on the Metropolitan
14 Lease,

15 Gentlemen:

16 1. The policy of future dealing with the valuable
17 properties comprising the Metropolitan Tract, is largely
18 controlled by the incidence of federal taxation. From
19 January 31, 1929, to June 30, 1945, federal income taxes
20 consumed 2½ million dollars of the net income derived by
21 the Metropolitan Building Company from the operation of these
22 properties.....

23 6. The Board is of the opinion that it is out of
24 the question to consider either a sale of the property or a
25 new lease at a fixed rental such as that now held by the
26 Metropolitan Building Company.....

27 Respectfully submitted,

28 JOSEPH DRUMHELLER,
29 THOMAS BALMER,
DAVE BECK,
Committee

30 End of Quote

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DAHLCO 36% E - 100N

1 This report was concurred in by the entire Board of
2 Regents. I thoroughly agree with that position.

3 How would the University operate this property?

4 By the Board of Regents through the medium of a capable
5 and experienced staff, or by a competent Real Estate Manage-
6 ment Company, who would receive a fee for their services.

7 You may ask, "What revenues will the buildings bring in
8 under a University Management?

9 That, of course, is somewhat problematical, but I would
10 estimate ^{upwards of \$1,200,000} ~~between one and two million~~ dollars per year. The
11 savings in Federal income taxes alone will amount to over a
12 ^{three quarters of a} ~~half~~ million dollars per year.

13 Representative Shadbolt, who is at present Chairman of a
14 sub-committee on the Metropolitan Tract, has recently come
15 forth with a proposition for the State to pay the Metropolitan
16 Building Company ten million dollars for the six and a half
17 year unexpired term of their lease, and also that the Company
18 should participate in the earnings and also be granted a
19 twenty-five year extension. ^{Shadbolt} He thinks it unfair for the
20 Metropolitan Building Company to compete with other concerns
21 for a new lease. // Such a proposal is a fraud upon the taxpayer.
22 He has posed one of the hottest issues that will come before
23 the Legislature in many a year. Millions are at stake that
24 may be decided on the turn ^{of} a legislator. Great pressure
25 will be brought to bear to smother all opposition, but as a
26 candidate for governor and a lawyer for the people, I feel
27 it my duty to speak out. Shadbolt's proposal will cost the
28 taxpayers of the State of Washington over ^{fifteen} ~~ten~~ million
29 dollars in the next twenty years. It is time we knew the
30 truth about this Metropolitan issue. ^{He} ~~Mr. Shadbolt~~ says

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DAHLCO 38 1/2 E - 100N

1 in his report that a University Management is wrong. Why is
2 it wrong, Mr. Shadbolt, to save the taxpayers this vast sum.
3 Why can't we deal at arm's length and hire the best management
4 possible for these properties even though the Metropolitan
5 Building Company should lose its stranglehold? // Real estate
6 experts say it presents no problem. //

7 The obligations of the State to the Metropolitan Building
8 Company will end in November 1954, ^{because their contract will}
9 ~~then die~~ and we will have the buildings. They are struggling
10 to avoid this and renew this ^{lease} contract by every conceivable
11 device. The ghost of this renewal continually arises to
12 plague us. They want to give this lease eternal life. //

13
14 Neither the Metropolitan Building Company nor the owners
15 of the Olympic Hotel should be allowed to dictate the actions
16 of the Legislature. I feel very strongly on this point. I
17 ^{would} veto any law that renews that lease for private
18 exploitation and profit.

19 You have a right to ask any candidate to state what he
20 would do with a law renewing the lease for the Metropolitan
21 Building Company.

22 The argument that the present sub-tenants must know where
23 they are going to be, and with whom they are going to have to
24 do business, when their present leases expire in 1954, is a
25 smoke screen used to bring pressure for an extension of the
26 present master lease. Every lawyer knows, that if the State
27 has the legal right at this time to do what it is urged to do,
28 that is, extend the lease of the Metropolitan Building
29 Company beyond 1954, it also has the legal right at this time
30 to contract with sub-tenants for any period from 1954 to

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DAHLCO 38% E - 16N

1 1974 or longer. Our hands are not in chains now, but they *leave in*
2 will be if Mr. Shadbolt gets his way.

3 A law should be passed at the next session providing for
4 a University Management of this tract after 1954.

5 Almost anyone would be very happy to have the operation
6 of the District, but it belongs to the University and is for
7 the children of this State who will be educated there. No
8 one should be allowed to make a profit or be cut in on
9 Federal income tax savings except the University of Washington. //

10 If we renew this lease we are robbing the youth of today
11 and the youth of tomorrow. The G.I.'s who are struggling for
12 an education. At the same time we are laying heavier burdens
13 on the already overburdened taxpayer. And all for what?
14 To gratify the desires of a great corporation that has already
15 made millions from the property. //

16 The pioneers of Washington gave this bountiful gift to
17 us as a sacred heritage for our children. //

18 In the name of every hard-pressed taxpayer, in the name
19 of every teacher, in the name of every father and mother,
20 in the name of every student and child, in the name of
21 generations yet unborn, we must guard and preserve this gift
22 of *very great* ~~inestimable~~ value which the Pioneers have left us.

24 This is Senator ~~John~~ McCutcheon.
25 Thank you and Good night.
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