

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of
CENTURYLINK Regarding the Sale
and Transfer of Property

Docket No.

CENTURYLINK'S APPLICATION
REGARDING TRANSFER AND SALE OF THE
BUILDING LOCATED AT 1600 – 7th AVENUE

REDACTED VERSION

1 Qwest Corporation d/b/a CenturyLink QC (“CenturyLink”) by and through its undersigned
counsel, hereby submits this application pursuant to Chapters 80.12 RCW and 480-143 WAC.
This application regards the permanent transfer and sale of the land and building located at
1600 – 7th Avenue, Seattle, Washington, to CSHV 1600 7th Avenue, LLC.

I. RELIEF REQUESTED

2 CenturyLink respectfully requests the Commission enter an order approving the sale pursuant
to Chapters 80.12 RCW and 480-143 WAC.

II. DESCRIPTION OF THE TRANSACTION

3 The sale is comprised of a purchase agreement effective January 23, 2012, and ancillary

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CENTURYLINK
1600 7th Ave., Suite 1506
Seattle, WA 98191
Telephone: (206) 398-2500
Facsimile: (206) 343-4040

REDACTED-CONFIDENTIAL PURSUANT TO WAC 480-07-160

agreements attached as exhibits to the purchase agreement. The transaction is an arms length transaction, negotiated between unaffiliated parties, neither one being under a compulsion to buy or sell. Pursuant to WAC 480-143-120, a copy of the purchase agreement is attached hereto as Confidential Exhibit A. A brief description of the transaction follows:

- Assets. This transaction involves the sale the land and building located at 1600 – 7th Avenue, Seattle, Washington, including certain leases associated with the building, as well as certain intangible assets associated with the building. A complete legal description of the property is included in Exhibit A to the Sale and Purchase Agreement.
- Purchase Price. Contained in Confidential Exhibit A.
- Closing Date. The sale agreement states that closing will take place ten days after the end of the Investigation Period (“Closing Date”). There is a provision to extend the closing date if necessary, but the parties would prefer to close on the Closing Date.

III. DISCUSSION

4 RCW 80.12.020 requires pre-approval of any sale, lease, assignment or other disposal by a public service company of any of its franchises, properties or facilities which are necessary or useful in the performance of its duties to the public. The Commission’s rules clarify that, for purposes of RCW 80.12.020, property is not “necessary or useful” if it is excluded from the public service company’s rate base. *WAC 480-143-180(4)*.

5 The assets that are being transferred in this case have been included in CenturyLink’s Washington rate base, and have been used by CenturyLink in the provision of telecommunications services in Washington and in other states. The 1600 – 7th Avenue building houses employees who perform the following functions: network design, provisioning and resource allocation; business markets sales and support; customer care; finance and accounting; public policy; legal; and information technologies. The sale will involve a long term lease wherein CenturyLink will lease back sufficient space in the building to maintain the presence of most of these employees. Other employees will be relocated to existing

CenturyLink properties in Seattle.

- 6 CenturyLink respectfully requests the Commission to promptly approve the sale as being consistent with the public interest for a number of reasons.
- 7 First, it is no longer necessary for CenturyLink to have a property this large for its provision of services to the public. The building has 32 floors, with three additional underground levels. The size of CenturyLink's workforce in Washington has declined over the years, and the current staffing levels in the building are such that there is more space in the CenturyLink building at 1600 – 7th Avenue than is necessary for CenturyLink's operations.
- 8 The purchase price of *** BEGIN REDACTED XXXXX END REDACTED*** is at or above market. CenturyLink engaged Grubb & Ellis and Eastdil Secured as advisors in the sale process to evaluate the market value of 1600 - 7th Avenue based on the proposed current lease back, market lease up assumptions and comparable transaction in the Seattle market. They calculated the market pricing to be between ***BEGIN REDACTED XXXXXXXXXXXX END REDACTED.*** The negotiated purchase price is higher, in part because the buyer has secured a tenant to occupy a large portion of the remaining vacancy, reducing their market lease up risk. Overall the Seattle market is down 20% since 2008 when the previous purchase price of ***BEGIN REDACTED XXXXX END REDACTED*** ultimately became unachievable due to the collapse in the capital markets.
- 9 Third, the sale will improve CenturyLink's financial health, adding cash and eliminating the costs associated with owning and operating a large office building.
- 10 Pursuant to WAC 480-143-140, a copy of CenturyLink's current financial statement is attached to this application as Exhibit B.
- 11 Due to the deadlines contained in the Agreement, CenturyLink respectfully requests that the

Commission give this matter expedited consideration and approve it at the February 23, 2012 open meeting.

IV. CONCLUSION

12 For the foregoing reasons, CenturyLink respectfully requests that the Commission expeditiously consider this application and approve the transfer of property as described herein.

DATED this _____ day of January, 2012.

CENTURYLINK

Lisa A. Anderl, WSBA #13236
1600 7th Avenue, Room 1506
Seattle, WA 98191
Phone: (206) 398-2500

CERTIFICATION PURSUANT TO WAC 480-143-140

I, _____, Vice-President, Real Estate and Procurement for CenturyLink, hereby certify that the information contained in this Application is true and correct to the best of my knowledge and belief under penalty of perjury under the laws of the State of Washington. Signed at Denver, Colorado this _____ day of January, 2012.

CenturyLink