



TOPIC: University of Baltimore: 4100 Ashland Avenue and 60 W. Oliver Streets Real Property and Development Transactions

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: January 30, 2014

SUMMARY: The United States Postal Service (USPS) owns a 2.5 acre parcel of land located at 60 W. Oliver Street, Baltimore, Maryland (the USPS Property). The property is improved with the USPS Vehicle Maintenance Facility (VMF) which has been in operation since 1963. It holds strategic value for the University of Baltimore and is central to its 10-year facilities master plan. The University requests Board of Regents' approval to enter into a contract with the USPS, contingent upon the completion of due diligence and approvals, to acquire the USPS Property in exchange for property located at 4100 Ashland Avenue in Baltimore City (Ashland Property) to be acquired and improved by the University as described below. It is UB's intent to hold the property for future expansion of housing, recreation and other campus growth requirements in the coming decades.

Since 2007, the University has attempted unsuccessfully to negotiate with the USPS to acquire the USPS Property. With support from the Congressional Delegation and the Mayor of Baltimore, the USPS has, over the last six months, engaged in negotiations with the University. One condition of an agreement would be that the University provide an alternative site acceptable to the USPS and construct a replacement VMF on it in exchange for the USPS property. University Properties, Inc., a subsidiary of the University of Baltimore Foundation (UBF), acting on behalf of the University, has secured an option on the 4.2 acre Ashland Property to purchase it for \$800,000 (with option fees of \$20,000). The University has obtained two appraisals valuing the Ashland Property at \$800,000 and \$850,000 respectively. The location has been operationally accepted by the USPS as a relocation site, pending completing its due diligence. A preliminary study has been performed and accepted by the USPS confirming that a new VMF is feasible at the site. The option contract will be assigned by the UBF to UB prior to closing on the acquisition of the Ashland Property.

The University has obtained two appraisals of the USPS Property valuing it at \$4.9 million and \$5.9 million including the improvements. The USPS is in the process of acquiring its own independent appraisal which should be available at the end of January. The preliminary estimate to design and construct the new 30,000 square foot VMF on the replacement site is \$8.0 million. The University must pay an amount not to exceed \$130,000 for USPS' associated costs, including project inspection, relocation, due diligence, and environmental. The University must also obtain an easement from the neighboring property owner (Baltimore Gas & Electric Company or BGE) at a cost of approximately \$130,000, subject to valuation by BGE, to permit USPS tractor trailer access to the new VMF. The total cost for UB associated with the relocation site would be approximately \$9.1 million (Attachment A).

The University will enter into a Memorandum of Understanding with the University of Maryland, Baltimore Service Center to solicit and manage the design and construction contracts for the new VMF. The USPS is requesting that certain terms and conditions applicable to federal procurements be included in the construction contract.

Approvals—The USPS will require the State (Board of Public Works) to approve and execute the exchange agreement before commencing its approval process. However, the University will not settle on the Ashland Avenue acquisition until such time as the USPS approves the exchange agreement.

Upon execution of the exchange agreement by the State, the University and the USPS will have 120 days within which to complete due diligence on both properties and seek requisite approvals. If the due diligence results are unsatisfactory or the approvals are not obtained, either party may terminate the contract.

Due Diligence—As part of the University's due diligence, it will perform Phase 1 & 2 Environmental Studies, a survey and a title search on the USPS Property. The USPS will only sell its property in "as-is" condition without any representations and warranties and will require the University to accept and waive environmental risk. The Ashland Property has received a "No Further Action" designation from the Maryland Department of the Environment's Voluntary Cleanup Program (VCP). The UBF has supplied the USPS with a Phase 1 Environmental Study detailing the findings and remediation action taken under the VCP. The USPS is requesting that UB provide an environmental and operational impact escrow (which is included in the aforementioned \$130,000) to ensure that there are no unforeseen costs to the USPS, and various representations and warranties.

Once the contract has been approved by the USPS' approving authority and the due diligence period has expired, the University will proceed to acquire the Ashland Property and the necessary BGE easement, and commence design of the new VMF. The award of the construction contract (anticipated January 2015) will be subject to BOR and Board of Public Works' approval.

To summarize, the University is requesting Board approval for:

1. Entry into the contingent exchange agreement with the USPS for the exchange of properties.
2. The acquisition of the Ashland Property.
3. Design and construction of the VMF replacement building.

SELLER: BTR Biddle, LLC, POC is Michael A. Clark, BTR Capital Group

ALTERNATIVE(S): The Committee could direct UB to not pursue the acquisition and exchange of property.

FISCAL IMPACT: The University will use fund balance to pay for the acquisition of the Ashland Property and adjacent easement, design and construct the replacement USPS VMF and all other associated costs including due diligence, and closing costs, with a projected payback period of 12 years. The total cost is estimated to be \$9.1 million.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents authorize the University of Baltimore to acquire the Ashland Avenue property, design and construct the replacement VMF building and enter into the exchange agreement with the United States Postal Service to exchange its property located at 60 W. Oliver Street in Baltimore City for property located at 4100 Ashland Avenue in Baltimore City as described above. The University shall conduct necessary due diligence including environmental, site surveys and title searches, and appraisal of any easement areas. The University shall continue to work with the Office of the Attorney General and the USM Office of the Chief Operating Officer/Vice Chancellor for Administration and Finance during the due diligence phase and will report any substantive issues to the Board during the contingency period.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

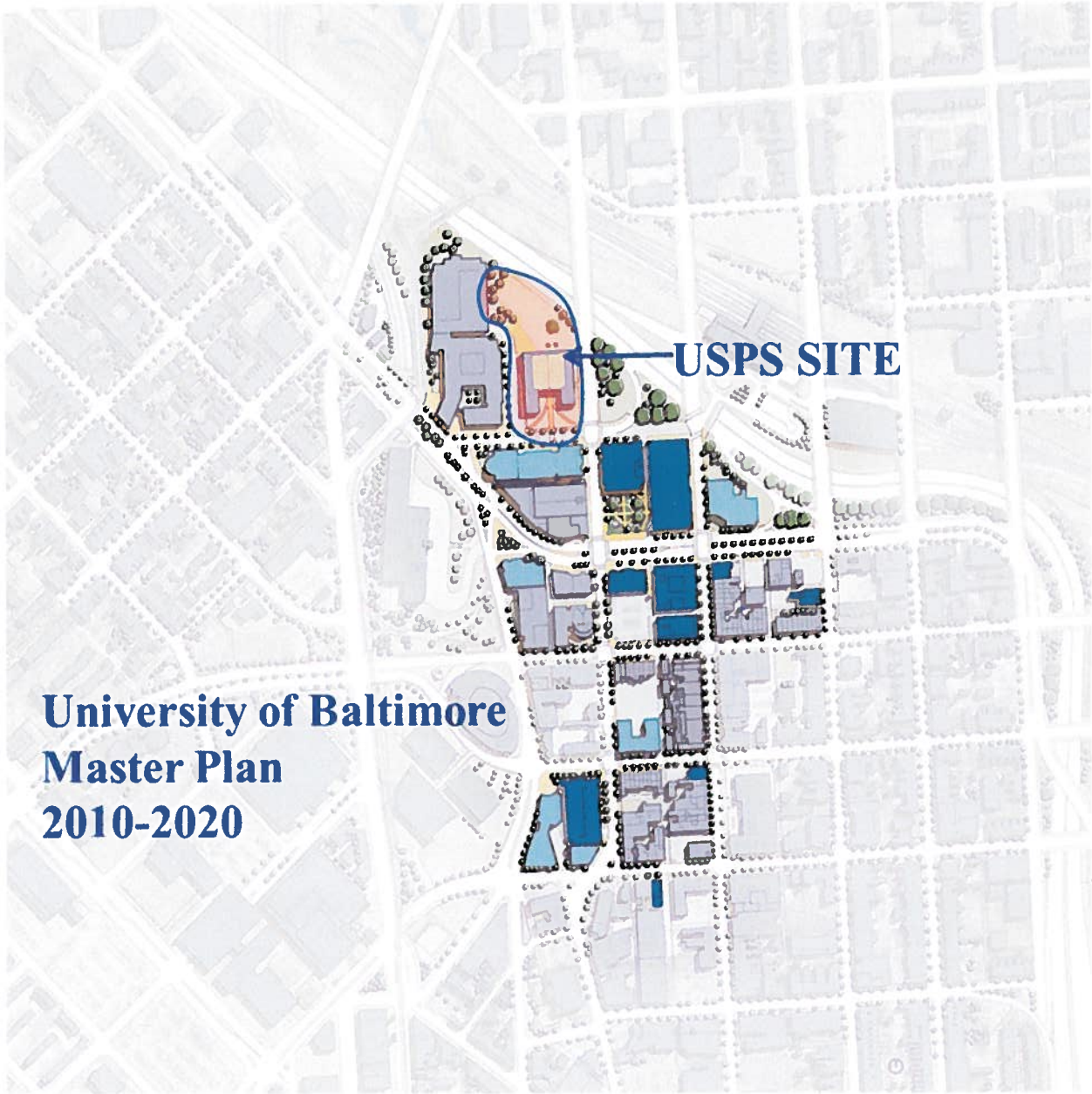
DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923

USPS Project Cost

USPS Due Diligence:	\$ 65,000 Environmental Escrow	(FY15)
	\$ 25,000 Move Cost	(FY16)
	\$ 25,000 Operational Impact	(FY16)
	<u>\$ 15,000</u> Construction Inspection	(FY15-16)
	\$130,000	
UB Due Diligence:	\$ 50,000 Due to UBF for Ashland	(FY14)
	<u>\$ 50,000</u> Due Diligence for Oliver	(FY14)
	\$100,000	
UB Ashland Acquisition:	\$820,000 (2 extension deposits)	(FY15)
BGE Easement Acquisition:	\$130,000 (Estimated)	(FY14)
New VMF Project:	\$1,500,000 Design/contingencies	(FY15)
	<u>\$6,500,000</u> Construction	(FY16)
	\$8,000,000	
Total:	\$9,180,000	

**University of Baltimore
Master Plan
2010-2020**



USPS SITE



4100 Ashland Ave.

Subdivision of 3501 E. Biddle St.

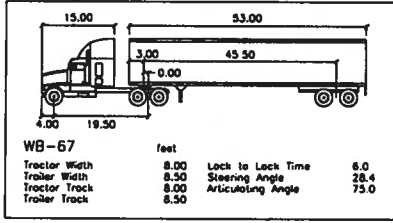
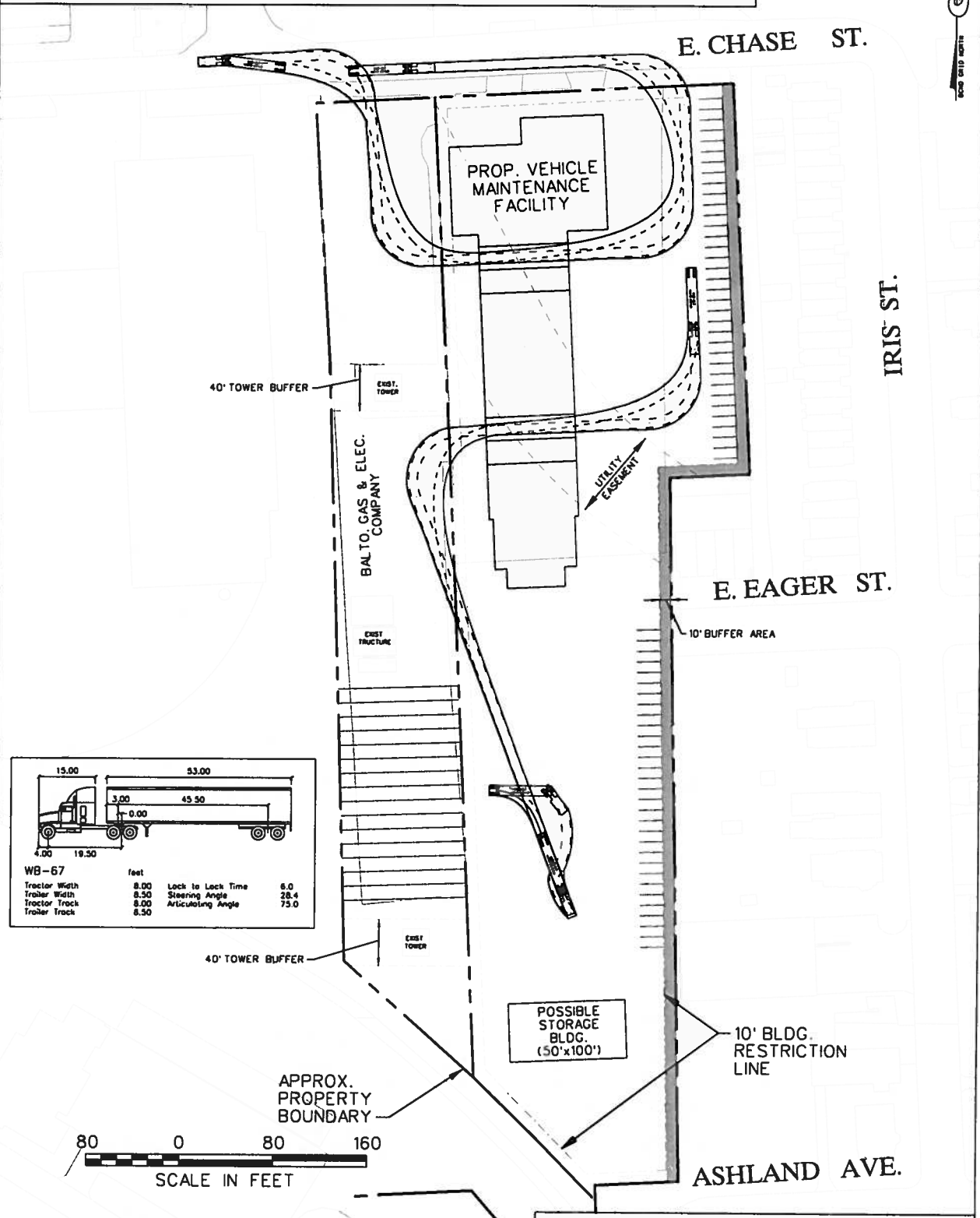
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Baltimore, MD 21204

GENERAL NOTES:

1. TOPOGRAPHIC INFORMATION INDICATED WAS OBTAINED FROM BALTO. CITY GIS MAPPING AND RECORD DOCUMENTS.
2. APPROXIMATE PROPERTY AREA - 187,740 SF / 4.3 Ac.
3. CITY UTILITY EASEMENT DOES NOT APPEAR TO CONTAIN UTILITY SYSTEMS. THE EASEMENT MAY NEED TO BE CLOSED THROUGH AN ORDINANCE WITH THE CITY.



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USPS VEHICLE MAINTENANCE FACILITY
CONCEPT SITE PLAN
 4.15.2013