



TOPIC: University of Maryland, College Park: Lease of Property for Development of College Park Academy and Flex Research and Development Project in Riverdale Park

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: June 9, 2016

SUMMARY: The University of Maryland, College Park requests approval to ground lease approximately 14.92 acres of land to a joint venture, whose members will be the University and an affiliate of St. John Properties, Inc. ("SJP"). The joint venture, a Maryland limited liability company, will require the University to contribute, as its investment, 14.92 acres of real property. The second LLC member, SJP, will contribute the capital needed to design, build, operate and maintain the project. The two LLC members will each share 50% of the project's net cash flow.

The project consists of two uses. On one parcel, comprising 10.37 acres, the joint venture will build approximately 111,240 square feet of Flex Research and Development space within two buildings. This Flex R&D space is distinguished from traditional office space by the following characteristics: 9 foot clear office ceiling heights and 16 foot clear heights for storage space; loading bays for easy transport of equipment; 24-hour unrestricted access to tenant space and tenant control of utility use and configuration; no common areas and, therefore, no shared costs for hallways, bathrooms and lobbies (making rents more economical than traditional office space rents); and great flexibility with regard to tenant space size such that businesses can lease as little as 1200 square feet or an entire building. This Flex R&D space can be configured to meet hundreds of different tenant/use requirements to serve businesses in key sectors of engineering, data analytics, earth sciences, virtual reality, cybersecurity, quantum computing, linguistics, additive manufacturing, e-commerce, robotics, aerospace or biotechnology.

The second proposed use of this project is for the new home for the College Park Academy (CPA). CPA is a public charter school. It uses a blended learning model to prepare students for the top colleges and universities in the nation. Created through an alliance between the City of College Park, the University, and the Prince George's County Public Schools, CPA opened its doors at the start of the 2013–2014 academic year. The University's President serves as president of CPA's board of directors, along with distinguished local educators, community members and other University administrators. CPA currently leases space from St. Mark's Catholic Church in Adelphi, but that lease expires in 2017 and a new home is required. CPA will lease a 50,107 square foot building (configured close to the R&D buildings, with some customization to accommodate a school) to be built on a 4.55 acre parcel. It is anticipated that CPA will enter into a 15-year lease for this building.

The transaction will require several documents. An Agreement to Venture will outline the parties' development agreement. Assuming approvals are obtained and contingencies are satisfied, the University and SJP will then create a two member Maryland limited liability company (the "Joint Venture"), the key terms of which will be set forth in an Operating Agreement. The University will enter into a ground lease, leasing the property described above to the Joint Venture for a nominal rent. The University's economic return will be its 50% share of net cash flow from the operation of both the Flex R&D buildings and the CPA building.

LESSEE: Joint Venture (as yet not created) of the University and an affiliate of St. John Properties, Inc. (headquartered 2560 Lord Baltimore Drive, Windsor Mill, Maryland)

ALTERNATIVE(S): The University can decline to create the Joint Venture and to lease the property as described above. In that event, a relocation facility for CPA would need to be found before the 2017 expiration of CPA's existing lease. The University would also not have well-located Flex R&D facilities to support its on-going economic development initiative to attract and retain high tech companies in "Greater College Park."

FISCAL IMPACT: The University obtained appraisals of this Flex R&D site in 2013, in anticipation of the sale of adjacent property to Prince George's County, to accommodate the construction of a bridge to the adjacent Riverdale Park Station (Cafritz) project. The fair market value, per acre, was \$425,000. The anticipated net present value of the University's projected joint venture cash flow from both the Flex R&D buildings and the CPA building, over 50 years, is approximately \$12 million (approximately \$804,290 per acre). The University acknowledges that an equity participation has business risk that a traditional sale or fixed rent ground lease would not have, but has confidence that this project's close proximity to the University, and the University's ability to attract tenants, will mitigate risk. Of course, this equity participation model also has an upside potential that the traditional model does not provide. With respect to CPA, the joint venture will charge CPA an as-yet to be negotiated fair market rental.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve for the University of Maryland, College Park to enter into an Agreement to Venture, an Operating Agreement and a Ground Lease, and any other required documentation required to implement the leasehold disposition described above; and delegate to the Chancellor the authority to execute, after appropriate legal review, all required documentation consistent with University System of Maryland Policy "Acquisition and Disposition of Real Property."

COMMITTEE RECOMMENDATION:	DATE:
BOARD ACTION:	DATE:

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



TOTAL BUILDING AREA
50,107 SF SCHOOL



College Park Academy

Total Building Area
50,107 SF



Riverdale
Park Maryland



PEDESTRIAN SIDEWALK INTO
RIVERDALE PARK STATION



8
Future
Building

CSX RAILROAD

LAFAYETTE AVE

57,120 SF

LOT 5
597,063 SQUARE FEET
OR
13.7067 ACRES
AREA AFTER
CONVEYANCE
441,588 SQUARE FEET
OR
10.0147 ACRES

54,120 SF

WATER QUALITY

RIVE



ERCO Site Plan

Total Building Area
111,240 SF

UNDERWOOD ST.

49TH ST.

9
Future
Building

MARYLAND AVE.

CKERMAN ST.

TOTAL BUILDING AREA
111,240 SF R & D



UNIVERSITY OF
MARYLAND



Riverdale
Park Maryland



College Park Academy and Flex R&D



Flex R&D

College Park Academy