



TOPIC: University of Maryland, College Park: Sale of Real Property to the University of Maryland College Park Foundation, Inc.

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: November 21, 2013

SUMMARY: The University of Maryland, College Park owns approximately 22 acres of land on the east side of U.S. Route 1 upon which is planned future redevelopment. Previously referred to as East Campus, the University had planned a comprehensive mixed “town center” development on the site that would include a University hotel and conference center. As a result of market changes, the East Campus town center development concept was abandoned in favor of a more systematic project-by-project development strategy. This strategy allows the University to operate more nimbly in the face of changing market conditions and be responsive to opportunities without restricting itself to a single solution for the development of East Campus and the revitalization of U.S. Route 1 and downtown College Park.

This summer, the University issued a Request for Expressions of Interest for a hotel developer interested in constructing, owning and operating a hotel along U.S. Route 1 on the University’s campus. It is in the interest of the University and the University System to limit to the extent possible its risk associated with the hotel development. On the other hand, the University also desires to maintain some control over the development and use of the site. To do so, the University believes its best option is to sell the property to its Foundation. The University of Maryland College Park Foundation, Inc. will enter into a contractual relationship with the developer for the construction and management of the hotel. To that end, the University and the Foundation entered into discussions with the selected developer, David Hillman, for the development of approximately 3 acres of the 22 acre East Campus parcel. The Foundation entered into a non-binding Letter of Intent with David Hillman dated September 12, 2013, summarizing certain business terms and to begin a 90-day period of exclusive negotiations.

The University is now seeking Board approval to negotiate with the Foundation the sale of approximately 3 acres of University land located on its East Campus for the purpose of the private development of a high quality hotel and conference center.

The facility will consist of up to 300 guest rooms, a minimum of 10,000 square feet of conference and meeting space, one full-service restaurant and bar, retail fronting U.S. Route 1, structured parking, a swimming pool, fitness center and other amenities typically included in a high-quality hotel.

The Foundation proposes to purchase the roughly 3 acre site from the University and close the purchase immediately prior to entering into a ground lease with the developer. The University will require certain conditions to closing in its contract with the Foundation that it, as landlord, will require of the developer. These conditions would include:

- specific on and offsite improvement obligations,
- completed detailed site plan approvals by both the University, and governmental authorities,
- completed entitlements, due diligence studies and reports,

- final building permit, available financing and equity sources,
- qualified general contractor, guaranteed maximum cost construction,
- Foundation and University design review and approval rights; and,
- the University shall have ongoing review and approval rights during design and construction of the project.

There will also be covenants in the deed that will give the University the right to enforce the requirement that the property only be used for a high quality hotel and conference center. The Foundation, as landlord, and developer will enter into a development agreement detailing the terms, conditions and other performance obligations the developer must satisfy in order to execute the ground lease.

Closing on the sales agreement is conditioned upon the developer having obtained all permits, financing and approvals required for construction of the project and final approval of any agreement is conditioned on the approval of the Board of Regents and Board of Public Works. Closing would not occur until all approvals, financing and permits are in place and construction on the Hotel and Conference Center is ready to begin.

There is certain other due diligence work to be completed by both the University and the USM Office. For example, the 3 acre parcel of land must be sub-divided from the larger 22 acre parcel. Also, documents including the sales agreement, ground lease, hotel management agreement, financial proformas and latest hotel demand study must be developed and reviewed. The University or the USM Office would not normally request the Board of Regents approve the disposition of real property without this due diligence being substantially complete. However, the disposition of property is a lengthy process—taking up to four months to complete—and we believe it would be more effective and efficient to conduct the real property disposition and due diligence processes concurrently rather than sequentially resulting in a smoother and more timely project completion.

DEVELOPER: David Hillman

ALTERNATIVE(S): The Board could elect to forego this opportunity. However, the University believes this proposed land sale offers an opportunity for a successful, high quality and near term development. The construction of a hotel and conference center will have a transformative effect on the campus and the community, improve the local economy, be a catalyst for job growth and the revitalization of the College Park downtown. This development opportunity offers to combine a strategically situated parcel of land overlooking the front lawn of the campus, adjacent to a future Purple Line platform and within walking distance of downtown College Park with a successful and motivated developer bringing vitality and recognition to the University, the County and local community.

FISCAL IMPACT: The approximate 3 acre parcel of land is part of a larger 22 acre parcel for which the University continues to have development plans. Appraisals completed as of October 2013 put the property value for hotel use at between \$1.2M and \$2.4M per acre. The University would receive market value for the property under the sales agreement. The disposition would have no direct cost to the University beyond that associated with conducting due diligence and closing. The University believes the proposed hotel development can be an attraction for more development and economic activity within the East Campus.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve for the University of Maryland, College Park the disposition by sale of approximately 3 acres of University land located within that tract known as East Campus to the University of Maryland College Park Foundation, Inc. for the purpose of providing a development site for a high quality hotel and conference center of approximately 300 rooms and parking garage under the conditions described above; and, delegate to the Chancellor the authority to execute, after appropriate legal review, all documentation required for the disposition, consistent with applicable University System of Maryland Policy "Acquisition and Disposition of Real Property."

This approval and delegation to execute documents is conditioned upon the completion of due diligence on the part of the University and all that due diligence deemed necessary by the USM Office of the Chief Operating Officer/Vice Chancellor for Administration and Finance in order to make a recommendation to the Chancellor regarding the execution of documents. The University shall continue to work with the USM Office throughout the document development and disposition processes.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

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

Property Map - Hotel Site

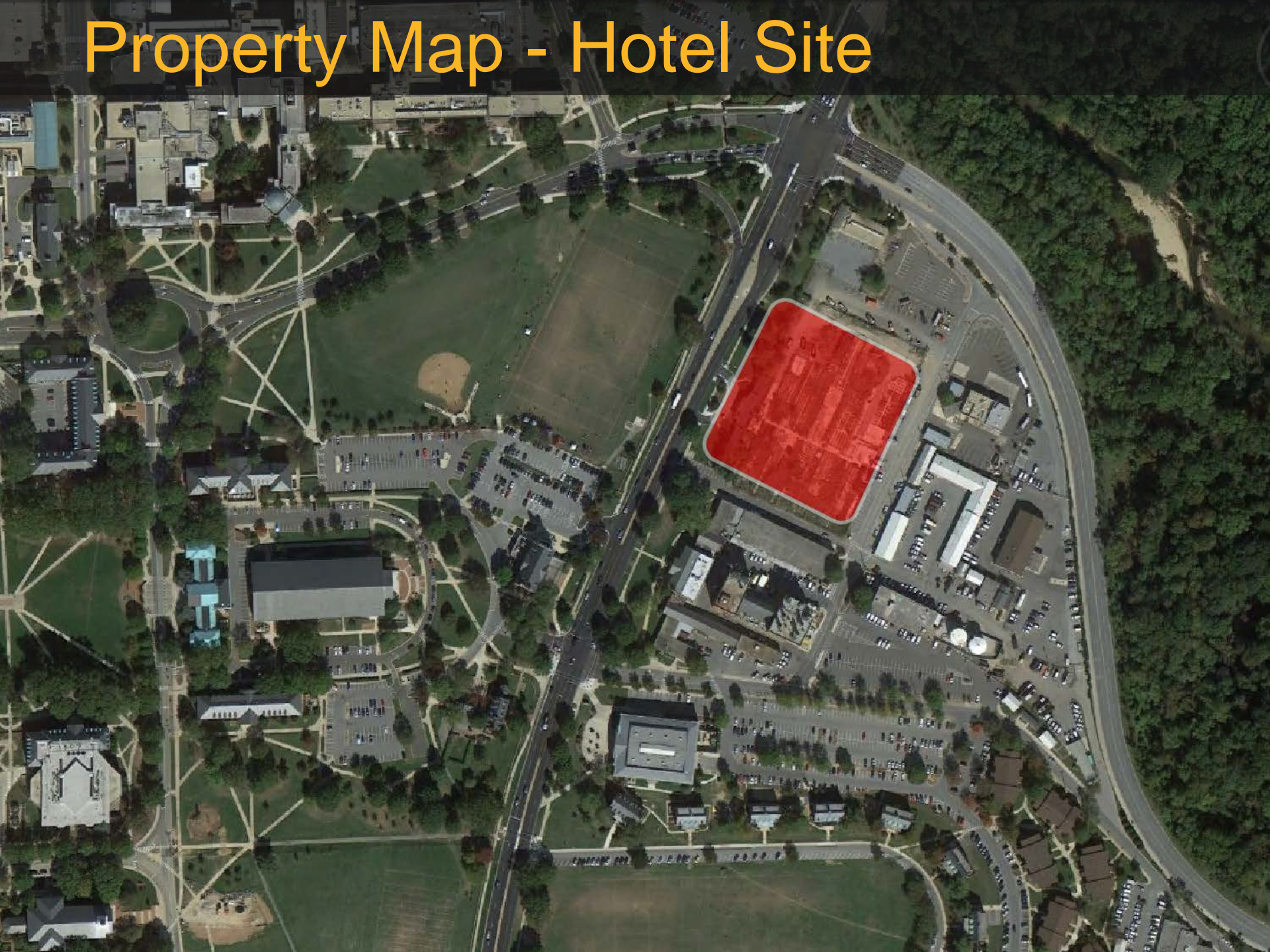
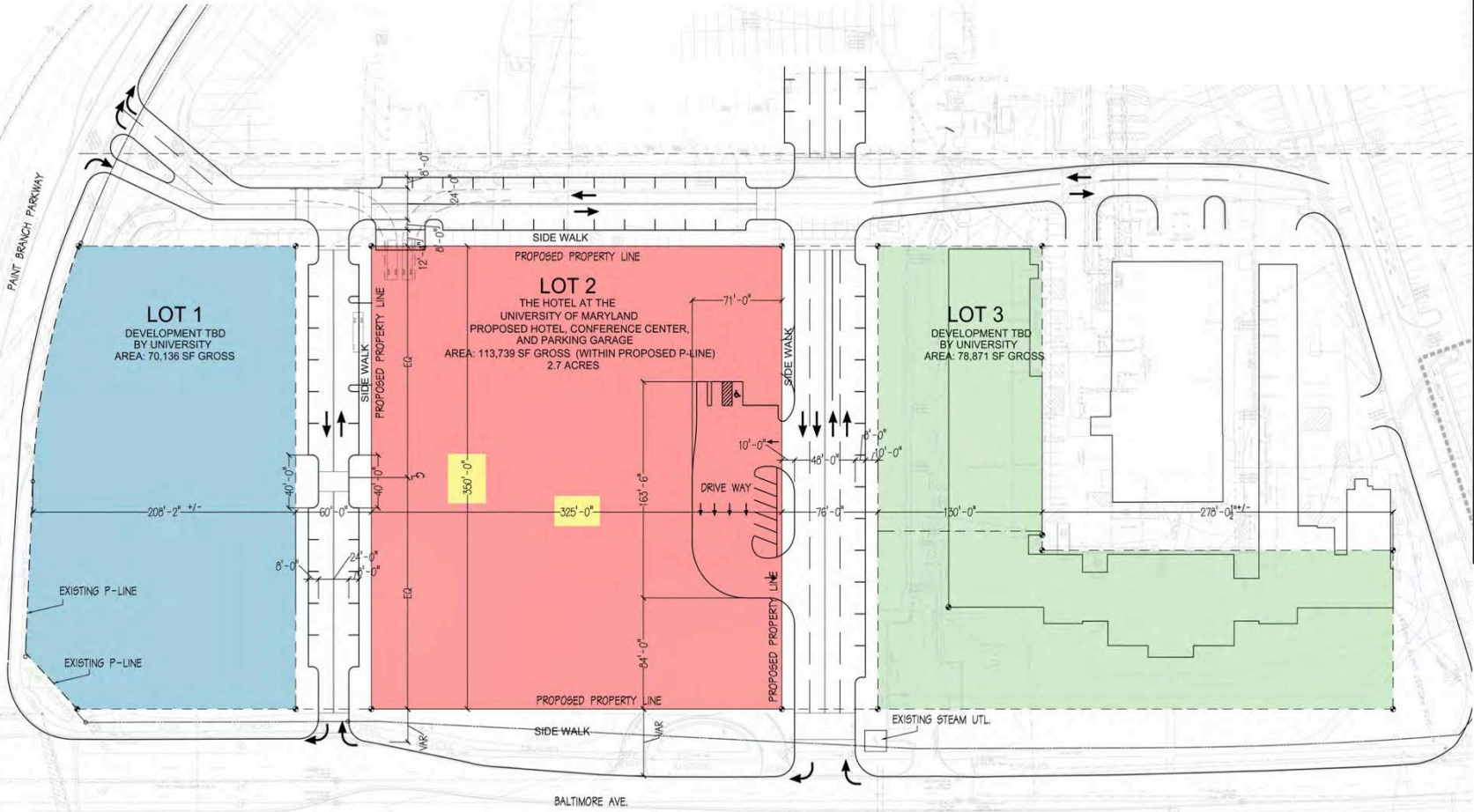


Exhibit B: Lot 2 - Hotel Site Plan



SITE PLAN INFORMATION
 AUTHOR: UNKNOWN
 DISCLOSURE: EXISTING CONDITION BACKGROUND SITE DATA PROVIDED AND AUTHORIZED USE BY UMD. ALL CONDITIONS ARE TO BE ASSUMED AS APPROXIMATE. SITE PLAN FOR CONCEPTUAL DEVELOPMENT ILLUSTRATIVE PURPOSES ONLY.
 DRAWN: 8/5/13 SCALE: 1/32" = 1'-0"

THE HOTEL
AT UNIVERSITY OF MARYLAND

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THE HOTEL AT THE UNIVERSITY OF MARYLAND
COLLEGE PARK, MARYLAND

SITE PLAN