TOPIC: University of Maryland, College Park: Ground Lease and Exchange Agreement with the Owner Entity Fund, LLC

COMMITTEE: Finance

DATE OF MEETING: March 31, 2016

SUMMARY: The University of Maryland, College Park requests approval from the Board of Regents to lease a 4.46 acre parcel located at 4301 River Road, College Park (University Property) to the Owner Entity Fund, LLC (Lessee). The term of this Ground Lease is 60 years with one 25-year renewal option. In exchange for this leasehold interest, the Lessee will convey, to the University, a fee simple interest in an 8.13 acre parcel located at 8920 Azalea Lane, 8930 Azalea Lane and 3801 University Boulevard (Exchange Property)—all in College Park.

The University Property is located immediately adjacent to WMATA’s College Park Metro station and the proposed Purple Line station. Lessee intends to develop the property with an upscale multi-family apartment building, designed with an eye toward professionals and recent University graduates. The project is slated to have approximately 370 apartment units, 5,000 square feet of retail and a 395 space parking garage. The University will have design review and approval rights over the Project.

EXCHANGE PARTY: Owner Entity Fund, LLC
Ron Paul
4416 East West Highway
Bethesda, MD 20814

ALTERNATIVES: The Regents could reject this request and instead require the University to negotiate alternative terms.

FISCAL IMPACT: The rent for Years 1 through Year 3 will be $165,000, $330,000 and $500,000, respectively. Thereafter, from Year 4 through the end of the term, rent increases annually at a fixed 2% annual rate. The value of the Exchange Property will be established using a three appraiser method. Each party will select an appraiser; the party appraisers will then select a third neutral appraiser. The fair market value will be the average of the three appraised values. Once established, the University will give the Lessee a credit against future ground lease payments until such time as the aggregate sum of the credits equals the fair market value of the Exchange Property.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve for the University of Maryland, College Park to execute an Exchange Agreement and Ground Lease under the terms described above; and, delegate to the Chancellor the authority to finalize all agreements pursuant to the USM Policy on Acquisition, Disposition and Leasing Real Property, subject to appropriate reviews by the System Office and the Office of Attorney General.

COMMITTEE RECOMMENDATION: RECOMMEND APPROVAL

BOARD ACTION: RECOMMEND APPROVAL

DATE: 3/31/16

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