TOPIC: University of Maryland, Baltimore: Creation of a Ground Lease with the University of Maryland Medical System Corporation (UMMS) or its affiliate for Demolition of former Walter P. Carter Center Building and Creation of Surface Parking Lot

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: September 8, 2016

SUMMARY: The University of Maryland, Baltimore (UMB) is seeking approval to enter into a ground lease with UMMS or its affiliate, for approximately 1.593 acres located at 630 West Fayette Street. The purpose of the proposed ground lease is to accomplish the demolition of the former Walter P. Carter Center Building and creation of a surface parking lot for approximately 300 vehicles. The estimated cost for demolishing the building and developing a surface parking lot is $6 million. The tenant will assume all costs associated with the demolition of the building and construction of the parking lot.

UMB acquired the former Walter P. Carter Center Building (together with Arch Street between West Fayette and Vine Streets) in 2011 from the Department of Health and Mental Hygiene, with the intent in the short term of demolishing the existing structure to provide surface parking, and in the future to provide a building site for UMB. The Walter P. Carter Center Building was in poor condition when acquired and has not been occupied since by UMB. The facility continues to deteriorate, posing safety issues and causing ongoing stabilization costs to UMB.

LESSEE: University of Maryland Medical System
110 S. Paca Street
Baltimore, MD 21201

The initial term of the lease will be five years, with an option to the tenant for four additional periods of five years (for a maximum total term of twenty-five years). At any time during the term, UMB shall have the right to terminate the ground lease, recapture the leasehold interest in the property, and obtain fee title ownership of the improvements by paying a recapture fee. The recapture fee shall be an amount equal to the tenant’s unamortized demolition and improvement costs, amortized on a straight-line basis over 20 years.

The proposed ground lease premises also includes Vine Street between Arch and Pine Streets. UMB proposes to acquire this street from the City of Baltimore (and to ground lease it to the tenant), in order to create a large, more useful development parcel. The street is included within the UMB Acquisition Plan and is anticipated to cost less than $500,000. Therefore, UMB will seek approval for the acquisition of the street from the USM COO/Vice Chancellor for Administration and Finance once due diligence has been completed.

ALTERNATIVE(S): One alternative is to not enter into a ground lease with the tenant. The former Walter P. Carter Center Building would not be demolished until UMB is able to identify sufficient funding for the demolition (currently estimated to be $4.5 million). However, the structure would continue to deteriorate and negatively impact the University community, by being abandoned and occupying a strategic location on the campus. Safety issues would persist, and approximately $60,000 per year in ongoing stabilization of the building would be expended by UMB.
**FISCAL IMPACT:** The University will avoid the cost of demolishing the former Walter P. Carter Center, currently estimated to be $4.5 million. Further, UMB will eliminate the annual $60,000 stabilization cost associated with the property.

**CHANCELLOR’S RECOMMENDATION:** That the Finance Committee recommend that the Board of Regents approve the (1) entering into a ground lease with the University of Maryland Medical System Corporation, or its affiliate, as described above, and (2) demolition of the former Walter P. Carter Center Building; and delegate to the Chancellor the authority to execute all required documentation, after appropriate legal review and consistent with the University System of Maryland Policy and Procedures on the Acquisition and Disposition of Real Property.

**COMMITTEE RECOMMENDATION:**

**BOARD ACTION:**

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