



TOPIC: University of Maryland Eastern Shore: Transfer of Maryland Hawk LLC Graduate Student Housing Complex and Assumption of Associated Debt

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: October 6, 2016

SUMMARY: Maryland Hawk Corporation (MD Hawk) is a not-for-profit corporation established by UMES in 2003 and recognized by the Board of Regents as an affiliated foundation and business entity.

In 2013, MD Hawk secured financing for the development and construction of Hawk Plaza Graduate Housing (the "Project"), a housing development of 90 2-bedroom, 2-bath units in 3 buildings constructed for UMES graduate students. The Project, situated on 27 acres owned by MD Hawk, was financed with approximately \$5.1 million from the Bank of Delmarva, and \$7.6 million from the U.S. Department of Agriculture. The project was completed and opened in the fall of 2015. The financing included the costs of infrastructure for future construction of an additional 2 buildings, but the additional buildings have not been constructed to date and additional financing will be required when the additional units are needed.

The November 2014 report of the State Office of Legislative Audits of UMES found that \$385,000 of UMES funds were improperly transferred to MD Hawk during the audit period of August 2010 to December 2013. UMES and MD Hawk agreed the \$385,000 would be returned to UMES over time, as at that point MD Hawk did not have sufficient liquidity to return the funds. At the point of release of the report of the Legislative Auditors, the construction of Hawk Plaza was still underway, and the project would not open until fall 2015. The return of the improperly transferred funds depended upon successful operation of the Project to produce net income. The Board of Regents directed the USM Office of Internal Audits to examine the period preceding that audited by the Legislative Auditors, and found an additional total of \$479,260 that UMES had improperly transferred to MD Hawk.

UMES has experienced a decline in enrollment for fall 2016 from prior years, and students enrolled in the Physician Assistant program have been re-directed to Towson University and University of Maryland, Baltimore. The result has been a decline in demand for housing intended exclusively for graduate students, reflected in the current level of lease-up of only 83% (151 of the 180 beds). Project income is driven by per-bed leases and a 100% lease-up is necessary to meet debt service and pay operating costs. The shortfall in lease-up has resulted in a lack of sufficient funds for MD Hawk to make the approximately \$60,000 combined monthly debt service payments due on the loans, and is now 90 days delinquent. Bank of Delmarva has notified MD Hawk of its intent to foreclose on the property if the loan is not brought current. The Bank of Delmarva and U.S. Department of Agriculture loans are *pari passu* in priority and contain cross default provisions.

UMES currently master leases approximately 500 beds in two privately owned student housing facilities adjacent to campus known as Arden's Run and Talon Square. The leases expire at the end of fiscal year 2017. The cost associated with leasing privately owned student housing can be mitigated at least in part with beds available at Hawk Plaza.

(cont. on reverse side)

An appraisal done in 2014 estimated the value of the property at more than \$14 million. New appraisals are underway and will be required prior to presenting this transaction to the Board of Public Works. Because of the threat of foreclosure on the property, Board of Regents approval is being sought despite the new appraisals not yet being available. If an acceptable appraisal of the property does not meet 95% of the outstanding debt on the property, UMES shall return to the Finance Committee to seek additional approval for the transfer of the property. The aggregate of debt associated with Hawk Plaza is just over \$12.7 million. The accepted appraisal would need to be at least \$12,065,000 for this transfer to move forward.

Hawk Plaza is an important asset to UMES and the long-term housing needs of the institution would be best served by assuming ownership of the land and improvements, and assuming the obligation for the outstanding debt to avoid foreclosure on the Project. Additionally, any opportunity to realize repayment of the \$864,260 due back to UMES will be lost absent securing the Project and revenues in connection therewith.

ALTERNATIVE(S): The Board of Regents could decide to not accept the housing complex and assume the related debt obligations, in which case the institution would no longer have access or rights to the student housing.

FISCAL IMPACT: There is approximately \$12.7 million in debt to owed to Bank of Delmarva and the U.S. Department of Agriculture that will need to be assumed by UMES under this action.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve for UMES to enter into formal negotiations to facilitate transfer of title to the Hawk Plaza Student Housing complex, and assumption of the related debt obligations to Bank of Delmarva and the U.S. Department of Agriculture, contingent upon receipt of new appraisals resulting in a valuation of at least 95% of the outstanding debt.

COMMITTEE RECOMMENDATION:	DATE:
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BOARD ACTION:	DATE:
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SUBMITTED BY: Joseph F. Vivona (301) 445-1923

WHY LIVE HERE?



HAWK PLAZA STUDENT HOUSING IS A PROJECT BY THE MARYLAND HAWK CORPORATION FOCUSED ON SUPPLYING UMES STUDENTS WITH AFFORDABLE, HIGH QUALITY HOUSING WITHIN A STIMULATING, STUDENT-BASED ENVIRONMENT. HAWK PLAZA IS DIRECTLY ENDORSED BY THE UNIVERSITY AND ENCOURAGES ALL STUDENTS TO TAKE ADVANTAGE OF THE MANY ADVANTAGES AND OPPORTUNITIES THIS COMMUNITY HAS TO OFFER.



NOW OFFERING FREE FIRST MONTH'S RENT!

1 Occupant: \$619.50/month
2 Occupants: \$1039.50/month

**CONTACT
484.794.1263 FOR
DETAILS!**



<https://www.facebook.com/hawkplaza>

HAWK PLAZA



STUDENT HOUSING



OFFERING STUDENTS THE OPPORTUNITY TO LIVE IN A PEACEFUL COLLEGE COMMUNITY WITH HIGH QUALITY, AFFORDABLE HOUSING.

FEATURES AND AMENITIES

INCLUDED IN EACH UNIT:

- 2 SPACIOUS BEDROOMS, EACH WITH ITS OWN FULL BATHROOM
- WALK IN CLOSETS
- FULL KITCHENS
- LIVING/DINING AREA
- OUTDOOR LIVING AREAS – BALCONY OR PATIOS
- WASHER-DRYERS PROVIDED IN EACH UNIT
- HIGH SPEED INTERNET
- WATER-SEWER AND ELECTRICITY INCLUDED IN RENT
- EFFICIENT HEATING AND AIR CONDITIONING WITH THERMOSTAT FOR EACH UNIT
- HAWK CARD COORDINATED KEYING SYSTEMS FOR BUILDING AND INDIVIDUAL UNIT



COMMUNITY AMENITIES

- COHORT GROUP STUDY ROOMS
- EXERCISE AREAS AVAILABLE
- NATURE TRAILS
- AMPLE PARKING
- SHUTTLE SERVICE PROVIDED BY UMES
- BLUE LIGHT SECURITY SYSTEMS



HAWK PLAZA GRADUATE HOUSING

- **Included in each Apartment**

- 2 Spacious Bedrooms, each with its own full bathroom
- Walk in Closets
- Full Kitchens
- Living/Dining Area
- Outdoor living areas – Balcony or Patios
- Washer-Dryers provided in each unit
- High Speed Internet
- Water-Sewer and electricity included in rent
- Efficient heating and Air Conditioning with thermostat for each unit
- Hawk Card coordinated keying systems for building and individual unit

HAWK PLAZA GRADUATE HOUSING

- **Community Amenities**

- Cohort group study rooms
- Exercise areas available
- Nature Trails
- Ample parking
- Shuttle service provided by UMES
- Blue Light Security Systems

HAWK PLAZA GRADUATE HOUSING

- **90- 2 bedroom units for a total of 180 beds**

- Building A (30 units) available July 15th
- Building B (30 units) available August 15th
- Building C (30 units) available September 15th

- **Rent per bedroom is \$590/month for the 2014/15 academic year**

- Pricing includes the following
 - ✕ Electric, water & sewer utilities
 - ✕ High Speed Internet

HAWK PLAZA GRADUATE HOUSING



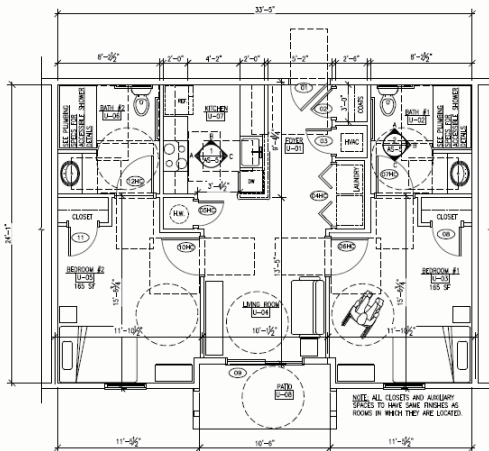
HAWK PLAZA GRADUATE HOUSING



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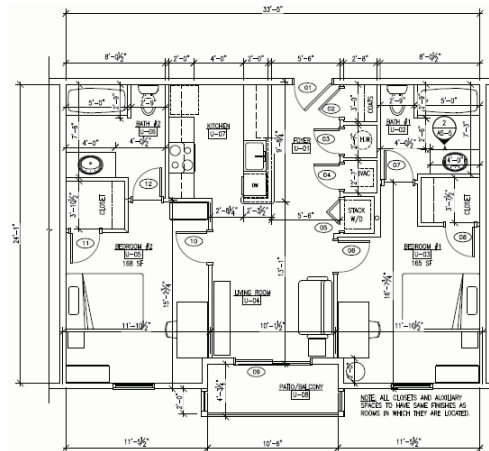


HAWK PLAZA GRADUATE HOUSING



Accessible Unit Plan

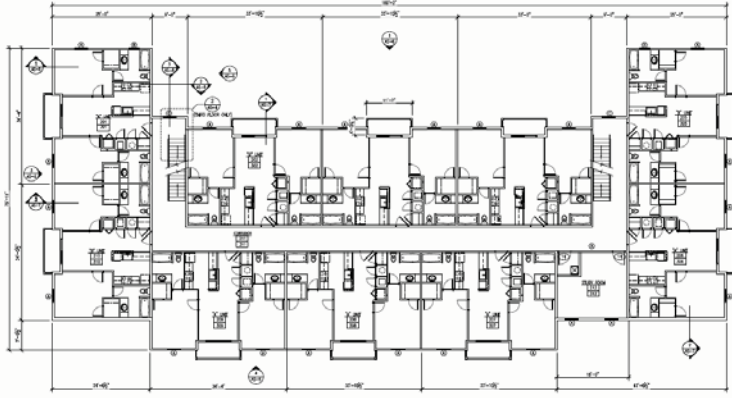
HAWK PLAZA GRADUATE HOUSING



Housing Unit Plan

HAWK PLAZA GRADUATE HOUSING

Typical Building Floor plan



HAWK PLAZA GRADUATE HOUSING

Map view of project location to UMES Campus (Less than 2 miles)

