Summary of Item for Action, Information or Discussion

TOPIC: University of Maryland, College Park: 1) Creation of Business Entity to Acquire, Develop, Lease, Manage and Sell Real Property; 2) Approval of Transfer of Three Parcels of Real Property from University to the New Business Entity Comprising 11.84 Acres; and 3) Approval of a Contribution Agreement With Call Option for an Additional Seven Properties Comprising 16.65 Acres

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: March 30, 2017

SUMMARY: The University of Maryland, College Park ("University") seeks Board of Regents approval to create a business entity, a Maryland limited liability company to be named Terrapin Development Company, LLC ("TDC"). Section 12-113 of the Education Article of Maryland allows the Board of Regents "to establish, invest in, finance, and operate business entities when the Board finds that doing so would further one or more goals of the University and is related to the mission of the University." TDC will support the University's on-going "Greater College Park" effort to intrinsically tie together the University's academic and research endeavors with the activity of the surrounding community. TDC's primary responsibilities are real estate strategy, acquisition, development, leasing, management and sales with a particular focus on "placemaking," a people-centered approach to the planning, design and management of public spaces, local economic vitality, and indirectly creating the housing options, stores, restaurants and green spaces that will enhance the University's recruitment and retention of the world's best faculty, staff and students.

TDC will combine and coordinate the work of the University and the University of Maryland College Park Foundation, Inc. ("Foundation") which, to date, has proceeded on an *ad hoc* basis. TDC will be a two member limited liability company comprised of the University and the Foundation. Its board of directors will have nine members, five appointed by the Foundation and four by the University. TDC's staff will be led by an Executive Director. TDC will be subject to an annual independent audit and, also, will be subject to a company conflict of interest policy consistent with the Maryland Public Ethics Law. The conflict of interest policy shall be reviewed and approved by the State Ethics Commission with the input of the Office of the Attorney General.

TDC will be capitalized by real property contributed by both the Foundation and the University, as well as by cash investments, all for which the parties will receive membership interest in TDC. In calculating membership interests, prior investments or in-kind services will be recognized. Distribution of TDC net revenue to its members will be proportionate to that member's investment. TDC's draft business plan, dated March 17, 2017, is attached (Attachment A). It sets forth in greater detail the structure of TDC, the real property and cash investment of its members and a description of some key short term development opportunities.

In addition to approving the creation of the business entity, the University seeks approval of the transfer of real property from the University to TDC. The University proposes to immediately transfer three parcels, comprising approximately 11.84 acres to TDC (Attachment B). In addition, the University proposes to subject an additional seven properties, comprising approximately 16.65 acres, to an exclusive option to acquire, lease or develop held by TDC. The terms of the initial transfer and the option will be set forth in a Contribution Agreement With Call Option ("Contribution Agreement"). The Contribution Agreement would grant TDC the right to call for the contribution of these seven development parcels over a period of ten years, as market conditions warrant. During this ten-year period, the University would have rights to remove any development property not yet transferred to TDC for University institutional goals provided TDC itself cannot achieve the University's institutional goal as a developer.

Assuming approvals are obtained and contingencies are satisfied, the University and the Foundation will create TDC, the key terms of which will be set forth in an Operating Agreement. The University will enter into the Contribution Agreement with TDC to convey, or grant exclusive development rights to, the 28.49 acres of University real property identified in the Contribution Agreement. The Operating Agreement will state that there shall be no debt capacity impact on the University as a result of any real property transactions associated with TDC. All ten University real property parcels would proceed, currently, through the State process for selling real property. That is, first, the request to dispose of the real property must be submitted to the Department of Planning's State Clearinghouse which makes inquiries to determine if any public entities desire to acquire the property; second, the Maryland Board of Public Works votes to declare the real property "surplus;" third, notices of the surplus declaration must be sent to the Senate Budget and Taxation Committee, the House Appropriations Committee; fourth, at least 45 days must have elapsed from the date the Maryland Board of Public Works declares the property surplus; and fifth, the Board of Public Works meets a second time to approve the actual disposition of the property.

ALTERNATIVE(S): Existing *ad hoc* efforts by the University and Foundation could continue, but future disposition of each separate University property would remain subject to a lengthy disposition process that may preclude the University from competing effectively and timely in the marketplace.

FISCAL IMPACT: As noted above, the University's return on investment will be a right to share in cash flow distributions made by TDC based upon its membership interest. At its original formation, the University is projected to have an approximately 28% ownership interest in TDC. As real property subject to the Contribution Agreement is later conveyed to TDC, the University's ownership interest will proportionately increase. TDC cash flow projections are set forth on pages 21 - 22 of the attached business plan (Attachment A). Member distributions, however, are not mandatory; that is, TDC's board of directors could elect to retain capital to make new acquisitions or to improve existing assets. Because of all these variables, it is impossible to precisely value the fiscal impact. But, for certain, all University property conveyed to TDC will become subject to state and local taxation, all part of the University's goal to leverage University assets for the betterment of the local community. The operating agreement will ensure that any real property developments will not have any debt capacity impact on the University.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approves that the University of Maryland, College Park may create the TDC business entity and enter into an Operating Agreement, the company conflict of interest policy, the Contribution Agreement, and any other required agreements and documents required to implement the disposition and acquisitions described above; and delegate to the Chancellor the authority to execute all required agreements and documents consistent with USM Policy and Procedures for the Acquisition and Disposition of Real Property, following legal review by the Office of the Attorney General.

COMMITTEE RECOMMENDATION: DATE:

BOARD ACTION: DATE:

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

UNIVERSITY OF MARYLAND / UMCP FOUNDATION
TERRAPIN DEVELOPMENT COMPANY (TDC)

BUSINESS PLAN
DRAFT

3.17.2017

EXECUTIVE SUMMARY

The following is the business plan for Terrapin Development Company, LLC (TDC), a joint-venture real estate and economic development entity created by the University of Maryland and University of Maryland College Park Foundation.

Mission

TDC's mission is to create long term value for its members while transforming Greater College Park into a vibrant, diverse, and walkable community that attracts the best faculty and students, and galvanizes entrepreneurs and research cultures.

Rationale

The University and Foundation have been leaders in shaping and implementing the Greater College Park vision, despite having missions and structures that are not specifically aimed at this goal. This active and rapidly evolving local real estate market requires sustained focus, responsiveness, and capitalization to fully achieve that vision. Structurally integrating decision-making and real estate capacity in a single entity, TDC, will ensure success of the vision and maximize returns for the Foundation's initial investment.

Structure

A two member LLC comprised of the University and Foundation, managed by a 9-person Board of Directors – five from the Foundation and four from the University.

Activities

TDC's primary responsibilities are real estate strategy, acquisition, development, and operations with particular focus on "placemaking" and local economic vitality.

Operations

TDC will be led by an Executive Director, responsible for reporting to the Board of Directors. The entity will have additional staff including project managers, property managers, accounting, and administrative capacities. It is responsible for setting and executing its real estate strategy, including initiating new development, making strategic acquisitions and dispositions, and managing day-to-day operations of TDC properties (collecting rent, maintenance, tenanting, etc.).

Capitalization and Asset Base

TDC is initially capitalized by land contributed (approximately 20 acres from within Greater College Park), cash contributions, and recognition of prior investments or in-kind services. Distributions are split based on percentage interests in the capital contributions. Book value is $48 million. The University will designate another 17 acres of land available for TDC under an "Exclusive Development Agreement".

Income

TDC assets can be categorized in three buckets – those that have existing cash flow, those that can be developed in the next 2-10 years, and those that have a longer redevelopment timeline. The financial projections, including budgets, timing of parcels contributed, and project income and expenses, are based on existing conditions, and will likely change over the course of TDC's operations. This plan, assuming all of the property in the Exclusive Development Agreement is contributed, projects TDC income is $1.13 million in 2017, growing to $6.26 million in 2022 as more of the short-term development assets come on-line. Income is entirely from ground rent or rent from tenants.

Expenses

Expenses cover staffing, including salaries for an executive director, development managers, and administration, overhead costs such as space needs, property related expenses such as management, maintenance, taxes and insurance, and variable expenses such as capital reserves, transfer taxes, and technical assistance.

Cash Flow and Distributions

Based on the financial projections, TDC will yield a 7.5% return by 2022, increasing from there. A $417,000 deficit in its first year will be covered by a portion of a $5 million seed fund that is part of the Foundation's capital contribution, with years two and beyond projected to generate positive income back to TDC.

Distributions to the University and Foundation will be made based on a determination by the TDC Board, and allocated based on the share of contributed assets.

MISSION AND VISION OF TERRAPIN DEVELOPMENT COMPANY (TDC)

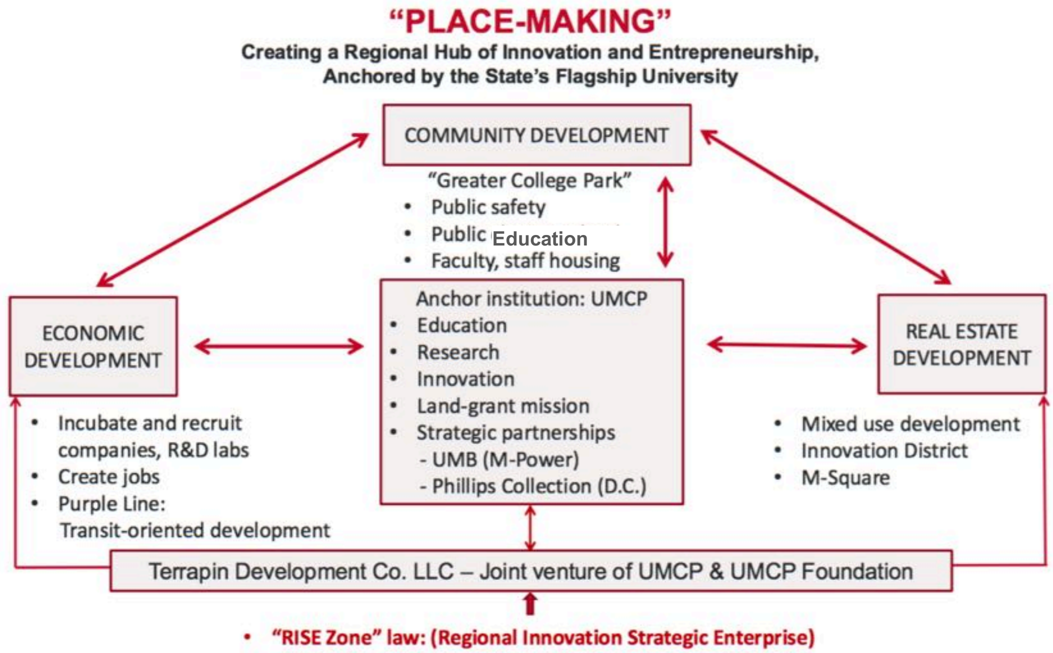
The Terrapin Development Corporation (TDC) will serve as an innovative real estate arm of University of Maryland (UMD), providing flexibility to advance the real estate, economic, and community development goals of Greater College Park.

This business entity between the UMD and the University of Maryland College Park Foundation (Foundation)—working in collaboration with local, county, and State government—will be an engine for:

- **Real estate development:** acquire, develop, and manage real estate. The primary focus areas will be: (1) unused or under-used parcels of off-campus land along or near *Baltimore Ave* (Route 1), the backbone of the region; and (2) along or near the *Purple Line route*, the Innovation District at the main entrance to the campus and stretching to the M-Square research park and the College Park Metro station. The goal is to catalyze hundreds of thousands of square feet of mixed-use development, and create the infrastructure needed for innovation and entrepreneurship to propel the regional and State economy.
- **Economic development:** incubate and attract companies and jobs. Through the development of and/or enhancement of the educational, research, innovation, and land- grant extension missions of UMD scores of start-up companies, and thousands of new jobs in the State, will be generated.
- **Community development**: transform "greater College Park" into a more vibrant, diverse, urban, and walkable residential community. Key elements include housing, retail amenities (grocery store, restaurants, entertainment, etc.), arts and culture, quality public education (e.g., College Park Academy, a public charter school that UMD and the city launched jointly), increased public safety (expanded and concurrent jurisdiction for UMCP Police with county police), and public transit to the entire Greater Washington area. These transformative elements will attract and retain more top faculty, staff, students, alumni, innovators, and entrepreneurs to live, work, and play in this region.

By focusing in these key areas, TDC will serve as the catalyst for "placemaking" efforts that tie together the University's academic and research priorities with the broader vitality of Greater College Park.

FIGURE 1: TDC'S ROLE IN PLACE-MAKING IN GREATER COLLEGE PARK



CURRENT CONTEXT

Both UMD and the Foundation have recently or are currently leading a number of transformative real estate development projects. Additionally, over the past few years the private sector has grown more confident with investing in and around College Park. Yet, each of those players is constrained in ways that can hinder momentum moving forward:

- **UMD**: The University has a responsibility to comply with the Board of Regents and Board of Public Works on major real estate and economic development transactions and initiatives. While both Boards are aligned with UMD and seek to ultimately strengthen the University and the State, the controls and approvals required by each can slow the pace of development, increase cost, and ultimately drive away private sector partners and capital. In particular, System constraints on UMD's debt and balance sheet significantly restrict UMD's ability to engage in certain real estate activities. At the same time, while UMD is structured to engage in core-campus facilities planning, development, renovation, programming, and maintenance, off-campus development is a different product requiring different focus, expertise, and funding structures. The end result is UMD's development process does not allow key non-core sites that can generate value and / or meet mission-oriented objectives to be developed within a reasonable time frame.
    - **Challenges**: slow approvals process, system constraints, primary focus on core-campus facilities
- **Foundation**: The Foundation has recently increased its participation in real estate via acquisitions (Renfrew properties, Sigma Chi, Quality Inn and Suites, Hotel at UMD), and master lease (Arthouse). However, as the Foundation continues to utilize

real estate as a tool not only to generate economic return for the University but also to advance the creation of Greater College Park, the physical and mission-oriented objectives can conflict with economics, particularly when looking at short-term returns. Compounding this tension, the Foundation's governance structure does not automatically allow for immediate input from University personnel on real estate matters. To transform College Park into a diverse and vibrant community, much of the University's "content or demand" must find a way to manifest itself on campus edges and within the built environment of College Park. Translating the University's demand into real estate development requires intense coordination of efforts between UMD and the Foundation to achieve the desired outcomes. Today, such coordination is managed by an ad hoc group of trustees and administrators. For the effort to get institutionalized, a structure of integration is needed.

    - **Challenges**: economic constraints, no clear structure for UMD input

- **Private Sector**: While the private sector is critical to the physical and economic development of College Park and surrounding areas, private sector needs do not necessarily align with UMD's, requiring significant involvement and management of projects to ensure the outcomes are in line with UMD needs and goals. Leveraging UMD and Foundation land and capital can create the incentives to attract private sector capital and expertise, but also provide UMD and the Foundation mechanisms for ensuring development in-line with a shared vision.
    - **Challenges**: Highest and best use not always in the University's interest

Because of these various goals, incentives, and requirements, no entity is singularly focused on off-campus development. At a moment when there is a strong market interest in College Park, the importance of off-campus development as a competitive strategic tool for UMD is even more critical. TDC will be specifically structured, staffed, and capitalized to chart a more efficient development path for UMD and College Park.

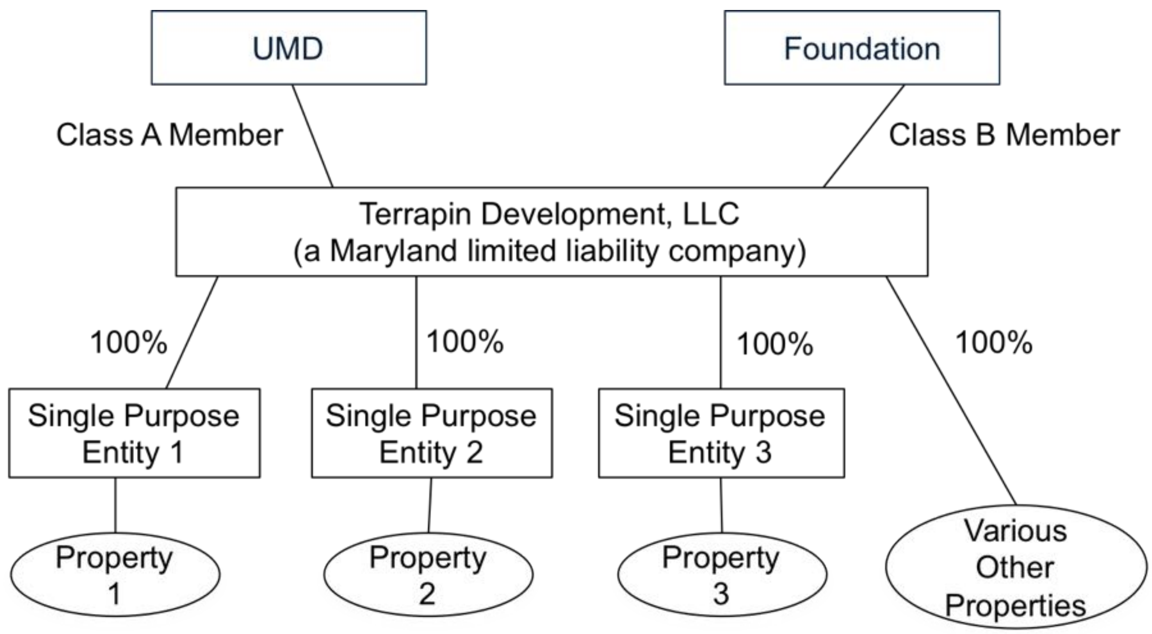
GOVERNANCE STRUCTURE

TDC is an independent Maryland Limited Liability Company consisting of two members; UMD as the "Class A" Member and the Foundation as the "Class B" member. The two members will form a nine-person Board of Directors, with the Foundation electing five Directors (including from the Foundation an Elected Trustee, and Executive Officer or Administrative Officer, and at least one of the Directors serving on the Executive Committee) and UMD electing four Directors. In the event of a vacancy, UMD will elect future Class A Directors, and the Foundation will elect future Class B Directors. The Board will be responsible for all major TDC decisions, with a majority controlling votes.

The entity will be capitalized by the two members through contributions of land, capital, and credit for previous expenditures from April 1, 2013 to June 30, 2016, when the projects and initiatives that underpin TDC began in earnest, starting with the UMD Hotel transaction. The value of contributions from each member will dictate that member's proportion of shares in the entity. Any returns of excess cash flow to the two members will be distributed proportional to their shares.

TDC will then form single purpose entities (SPE) to own and operate each property. For example, TDC would seek potential real estate developers for a given parcel (call it SPE #1). This parcel would be leased to the developer. The developer pays a ground lease for the land to SPE#1. At the end of the lease term, the building and land revert to SPE #1.

FIGURE 2: TDC STRUCTURE



The Board of Directors will align its Board Meetings with the UMCP Foundation Board of Trustees Meetings, and will function as the de facto Real Estate Committee of the Foundation. The TDC Board will convene and vote on major decisions such as real estate acquisitions, sales, dispositions, development, or investment, strategic partnerships, and other substantive issues with significant monetary implications. TDC will be structured to have the ability to grow over time, as it generates more revenue and / or expands its real estate holdings. A possible path for growth is for TDC to leverage its assets to fund place-making activities. TDC financials will consolidate to the Foundation. An accounting firm reviewing the operating agreement believes TDC financials will not consolidate with the University.

ACTIVITIES

To achieve its goals, TDC will have to implement a comprehensive economic development strategy and engage in a number of different real estate and economic development activities:

- Manage a real estate portfolio
- Plan, develop and partner with the private sector to develop real estate projects as part of a comprehensive real estate plan
- Acquire, dispose, ground-lease or joint-venture with real estate parcels
- Lead strategic planning and place-making initiatives such as street-scape improvements, special events, and branding activities

GEOGRAPHY

While the specific geography of focus may be limited to areas where TDC holds real estate, it is anticipated that the geographic scope may grow over time to encompass any strategic area within Greater College Park. Early focus will be placed on Downtown College Park and the Innovation District, while future efforts may include the Research Park, Metro area, and investments around Purple Line stops.

STAFFING

The TDC staff will consist of four primary positions:

- **Executive Director:** Responsible for all day-to-day decisions, creating and managing transactions, establishing strong working relationships with stakeholders, reporting to the Board and implementing the business plan.
- **Accounting and Bookkeeping:** Responsible for financial management and oversight of TDC assets.
- **Development Managers**: Responsible for executing on specific real estate and "place-making" projects, and overseeing day-to-day operations of real estate including serving as a tenant liaison and managing service contracts.
- **Administration:** Managing all of the administrative components of TDC, including payroll, accounting, office support, and managing third party providers that carry out administrative functions, such as accountants and bookkeepers.

The staff members will function according to the roles described in the Operating Agreement. Combined, the TDC staff carries out the following functions:

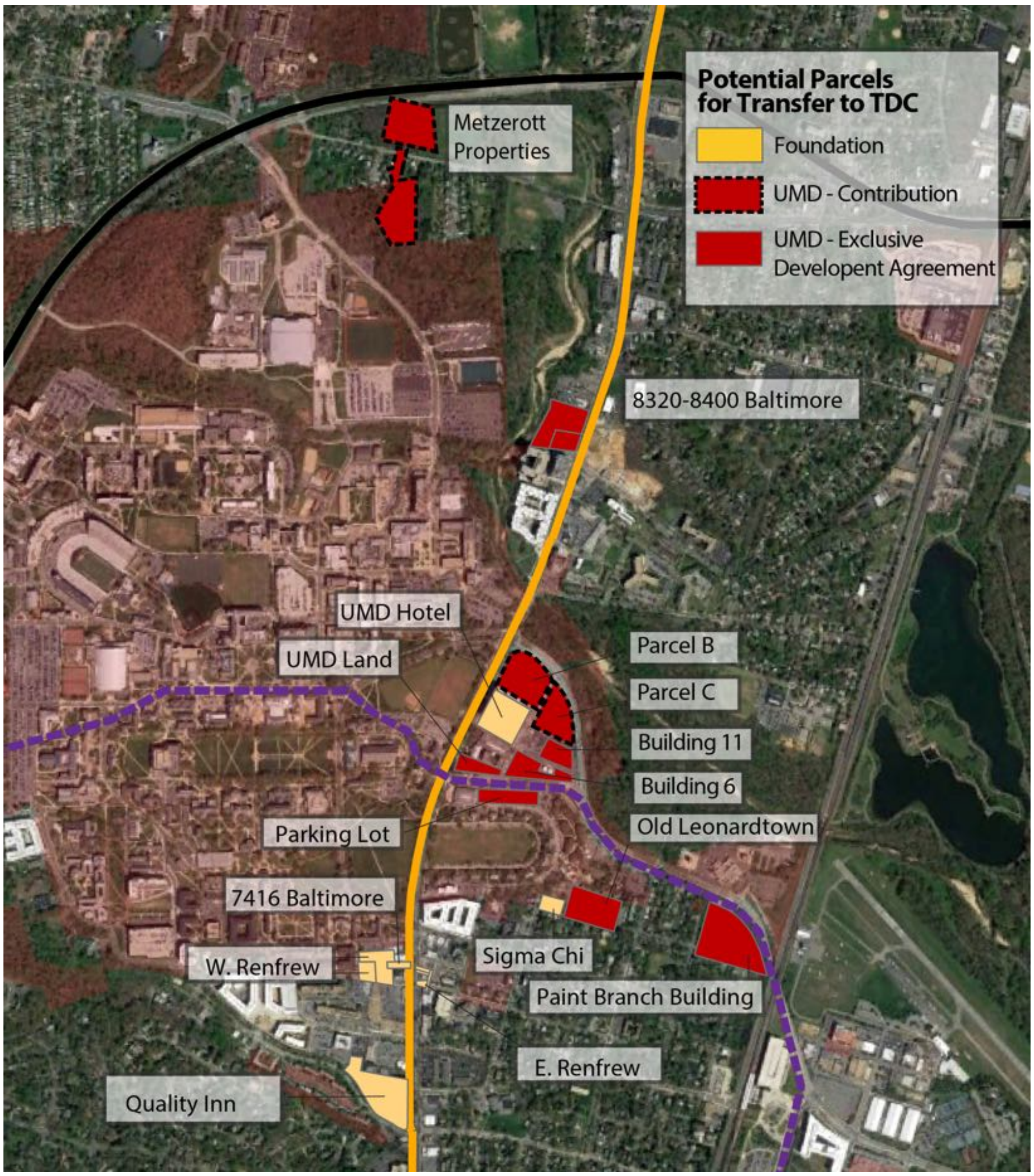
- **Real estate:** finance, development, acquisitions, and asset management
- **Economic Development**: business attraction, community building, public funding sources, and infrastructural investment approaches.

- **Place-making**: project management, retail tenanting and management, and ability to work with stakeholder partners such as public-sector leaders, philanthropy, and investors

INITIAL REAL ESTATE CONTRIBUTIONS

The University and Foundation have identified 9 properties to initially contribute to TDC, totaling over 20 acres of land, with another 7 properties totaling 17 acres made available to TDC under an "Exclusive Development Agreement". These diverse properties consist of income generating assets and vacant land in varying conditions and at various stages within their productive life-cycle, and range from vacant land to projects under construction, to leased, income generating buildings.

FIGURE 3: TDC CONTRIBUTED PARCELS



The Foundation's eight properties are all valued based on their acquisition costs. The University's three properties are valued based on acquisition cost (Metzerott Road), or, for

Parcel B and Parcel C, the appraised value per acre that was used in the Foundation's acquisition of the adjacent UMD Hotel site from the University.

The contributed properties and associated size and valuations is as follows:

REAL ESTATE CONTRIBUTIONS				
Name	Acres	Value	Value / Acre	Source
UMD				
Innovation District Parcel B	2.15	3,649,289	1,697,344	Comp - Hotel
Innovation District Parcel C	2.19	3,717,183	1,697,344	Comp - Hotel
Metzerott	7.50	2,725,000	363,333	Acquisition Cost
Sub-Total	11.84	10,091,472	852,320	
UMCP Foundation				
UMD Hotel	3.20	5,431,500	1,697,344	Acquisition Cost
Sigma Chi	0.81	1,200,000	1,481,481	Acquisition Cost
W Renfrew Parking	0.50	1,400,000	2,800,000	Acquisition Cost
W Renfrew Retail (Lehigh & Knox)	0.33	5,070,000	15,363,636	Acquisition Cost
E Renfrew - (7403-7405 Balt. + Little Tavern)	0.21	1,775,000	1,875,000	Acquisition Cost
Quality Inn	3.52	11,700,000	3,323,864	Acquisition Cost
Sub-Total	8.57	26,576,500	3,101,109	
Total	20.41	36,667,972	1,796,569	

In total, the book value is $36.7M.

DESIGNATED PARCELS FOR EXCLUSIVE DEVELOPMENT AGREEMENT

In additional to the three parcels UMD will initially contribute to TDC, it is designating another seven parcels to contribute to TDC over time in an Exclusive Development Agreement (EDA) between UMD and TDC. The EDA sets a term of 10 years, within which TDC has the right to call any of the seven designated parcels for immediate development. At that time, TDC and UMD will negotiate a fair market land value for TDC to acquire the parcel from UMD.

The parcels designated to fall under the EDA, with representative (not definitive) land values are as follows:

PARCELS DESIGNATED FOR EXCLUSIVE DEVELOPMENT AGREEMENT				
Name	Acres	Value	Value / Acre	Source
8320-8400 Baltimore Ave	2.95	10,650,000	3,610,169	Acquisition Cost
UMD Land (n of Rossborough)	0.89	1,514,055	1,697,344	Comp - Hotel
Parking Lot (s of Rossborough)	1.07	1,818,691	1,697,344	Comp - Hotel
Old Leonardtown	2.90	4,296,296	1,481,481	Comp - Sigma Chi
Paint Branch Building	4.30	6,370,370	1,481,481	Comp - Sigma Chi
Building 6	3.30	2,800,617	848,672	*Comp - Hotel, discounted 50%
Building 11	1.24	1,052,353	848,672	*Comp - Hotel, discounted 50%
	16.65	28,502,384	1,711,494	

UMD will also have the right to initiate a development request on one or more of these parcels to meet its institutional goals. At that point, TDC will have the right to develop the project for UMD either as a "developer at risk" or a "fee developer". The first will require agreement between the two members for a fair market value of the land. The second alternative would leave the land ownership with UMD. TDC has the option to decline to develop the project for UMD and at that point the exclusivity agreement for that parcel would be terminated.

In all cases where land is being contributed and the two members can not agree to a fair market value, the parcel would remain with UMD and TDC would forfeit the exclusive development right for that parcel. At the conclusion of the EDA term, UMD would retain ownership and control of any undeveloped parcels.

NON-REAL ESTATE CONTRIBUTIONS

Since the Spring of 2013, the University and Foundation have led a variety of activities to attract investment and seed development in Greater College Park and to revitalize Downtown. In doing so, both have incurred a variety of expenses, including consulting fees, payments for planning studies and architectural plans, legal fees, due diligence costs (such as environmental reports), and costs for placemaking (such as the creation of the pocket park on the former Little Tavern site). These costs, incurred between April 1, 2013 and June 30, 2016, are approximately $3.2MM and $2.6MM by the University and Foundation, respectively, and are recognized as "Non-Real Estate Contributions".

In addition, the Foundation is contributing up to $5 million in working capital over a five year period. This capital fund is designed to continue to fund predevelopment and placemaking expenses, similar to those expenses already incurred in over the past four years. In particular, this includes planning studies, architectural massing and design, due diligence costs, and other 3rd party expenses that TDC may incur in evaluating or formulating a potential development project. This also includes placemaking costs that may not be tied to any particular development project but support the goals of TDC, including funding for special events, marketing and branding of Greater College Park, or other specific districts, business attraction and retention expenses for retail tenants, or investments in public space and infrastructure. The working capital fund could also be used for strategic acquisitions, assuming appropriate approvals from the Board of Directors.

The Non-Real Estate Contributions total as follows:

NON-REAL ESTATE CONTRIBUTIONS

	April 1, 2013 - June 30, 2016
UMD	
Real Estate & Economic Dev. Consulting	2,674,168
Other 3rd Party Services	71,677
7416 Baltimore Operating Subsidy	500,000
Sub-Total	3,245,845
Foundation	
7416 Baltimore Ave Capital	1,200,000
Sigma Chi	48,570
Quality Inn	698,296
Renfrew - Smoothy King/Little Tavern	219,497
Renfew - 7-11	33,155
Renfrew - Parking lot	2,238
Hotel	227,922
7416 Baltimore	188,298
Sub-Total	2,617,976
Capital Call	5,000,000
Sub-Total	7,617,976
Total	10,863,821

TOTAL CAPITALIZATION AND SHARE DISTRIBUTION

Combined, TDC is valued at $47.5 million, before any of the parcels in the EDA are contributed, with approximately $36.7 million from real estate, and $10.9 million from non-real estate, with UMD contributing 28.1% of the value and the Foundation contributing 71.9% of the value. Distributions from TDC back to the members will be derived based on their relative contributions capitalizing TDC.

SHARE DISTRIBUTION

	Real Estate $	%	Non-Real Estate $	%	Total	%
UMD	10,091,472	27.5%	3,245,845	29.9%	**13,337,317**	**28.1%**
Foundation	26,576,500	72.5%	7,617,976	70.1%	**34,194,476**	**71.9%**
Total	36,667,972	100.0%	10,863,821	100.0%	**47,531,793**	**100.0%**

DEVELOPMENT PLAN

The future use of assets in TDC fall under three different buckets:

- **Maintain** existing income generating assets
- **Short-term development** for underperforming or non-performing assets with a clear higher and better use
- **Long-term development** for assets that are either encumbered by leases and/or have no clear market value now, but will at some point in the future

A development plan was created for each of the short-term development properties to project how much new development could be supported, what a potential use is, as well as associated development costs, rental income, and expenses. Through this analysis the residual value was derived, a figure that captures the cost of land that can support the economics associated with the prospective development project. Based on that residual land value, a potential ground rent was calculated that a developer would pay TDC on an annual basis, similar to how the UMD and Quality Inn transactions are structured.

The development plan for each parcel is as follows:

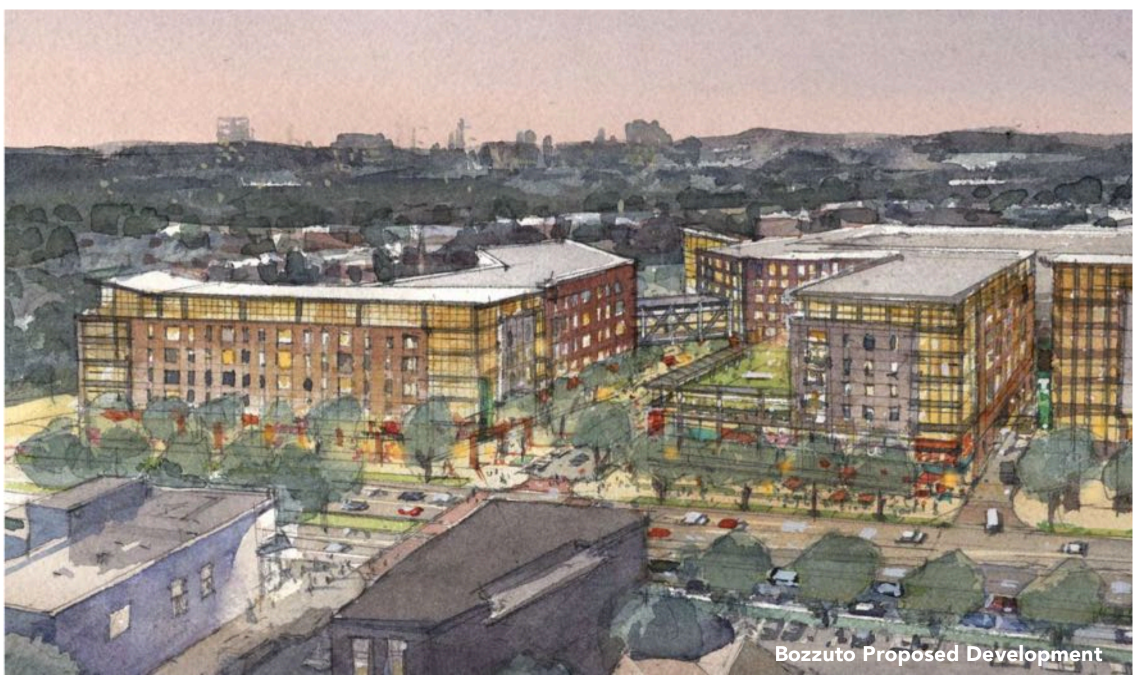
MAINTAIN

Property	Description
W. Renfrew Retail (Lehigh and Knox)	Maintain the existing retail, and upgrade retail tenants as leases turn over.
E. Renfrew Retail: Retail (7403-7405 Baltimore Ave. and Parklet)	Maintain the existing retail, and upgrade retail tenants as leases turn over. Program the park with food trucks, special events, etc.
8320-8400 Baltimore Ave	Maintain commercial tenants and enhance with additional tenants.

SHORT-TERM DEVELOPMENT

UMD HOTEL

Hotel construction is under way. TDC may assume responsibility of managing the 20,000 SF master lease of commercial space if needed. TDC will also maintain the relationship with the Hotel owner as issues and needs arise.



QUALITY INN

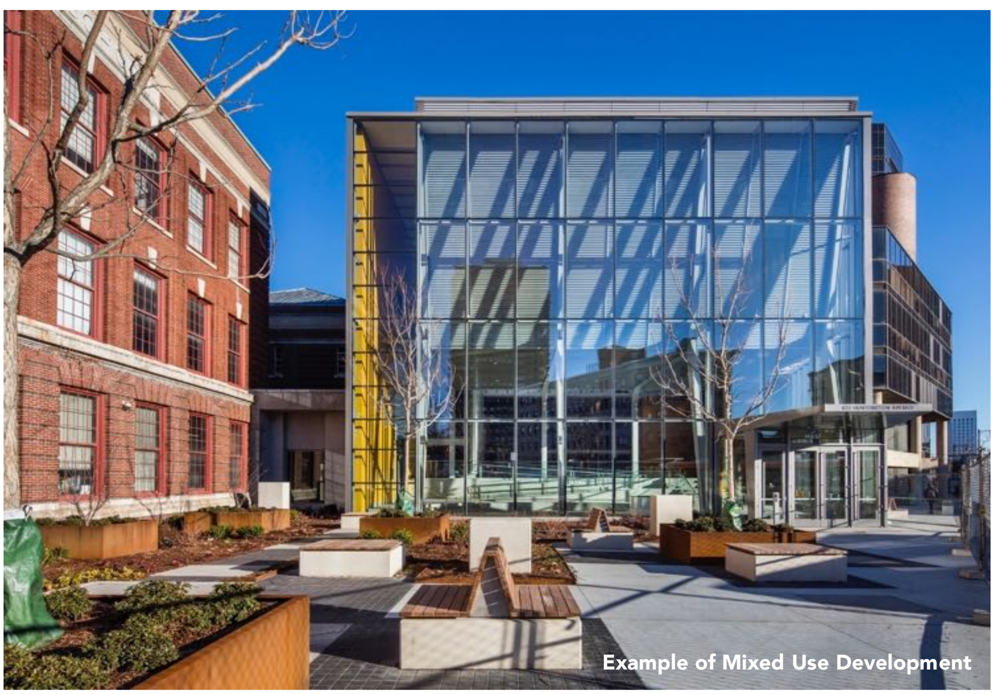
Bozzuto is completing due diligence under its development agreement to build mixed-use, market rate housing. As ground lessor, TDC will oversee development.

SHORT-TERM DEVELOPMENT

Potential Development on Renfrew Parking Lot

W RENFREW PARKING

The current vision is for the parking to be ground leased to a partner as a small mixed-use residential project.


Example of Mixed Use Development

UMD Land (N. of Rossborough)

No current development plan, but the site could accommodate a new mixed-use development with a variety of potential program options.

SHORT-TERM DEVELOPMENT

Innovation District Parcels B&C

These parcels are within the Innovation District plan to create a research and technology hub via ground lease to a development partner.

Parking Lot (south of Rossborough)

This parking lot behind Ritchie Coliseum has no current development plan, but could be developed as mixed-use residential with co-working or other commercial use.

SHORT-TERM DEVELOPMENT

Potential Faculty and Staff Housing

Old Leonardtown / Sigma Chi

These adjacent parcels could be redeveloped as faculty / staff student housing. Old Leonardtown has surpassed its useful life as student housing and would be demolished.

MilkBoy at the Clarice

MilkBoy (7416 Baltimore)

TDC will assume the Foundation's master lease of 7416 Baltimore and sub-lease to MilkBoy for restaurant and performance venue in partnership with the Clarice.

LONG-TERM DEVELOPMENT

The long-term vision for the properties below is to develop them to add to the density and activity within the districts that they reside.

Property	Description
Building 6	Future location of the Food Hall
Building 11	Future location of for co-working or start-up space
Paint Branch Building	Former Terrapin Trader
Metzerott Road properties	Rental houses and land acquired north of campus.

FINANCIAL PROJECTIONS
TDC's financial projections are based on the development plan described above. The return to TDC can be assessed by the projected cash flow returned to TDC, and the yield measuring net income relative to cost. As the development plan likely evolves over time, so will the financial projections reflecting changes what parcels are developed when, and what the economics around each parcel may be. Furthermore, TDC will evolve as an organization over time, which will change the organizational budget projections that are included in the cash flow. The full 15-year cash flow, found in the Appendix, shows:

- **Project Level Cash Flow:** Projected net cash flow to the Foundation based on existing income streams, pro formas associated with development projects (UMD Hotel, Quality Inn, MilkBoy), or the development properties identified above. The 2017 projected revenue is $1.13 million, growing to $6.26 million in 2022.
- **Expenses:** The expenses to TDC are those that either cover TDC staffing and overhead or those that are responsibilities to TDC as a landlord. Staffing, including an Executive Director, bookkeeper, project manager, and administrative support, totals $720,000. Space cost for TDC, including rent (1,500 square feet at $20 per square foot), FF&E, and utilities is $56,000. The majority of property-related costs in TDC are covered by net leases with ground lessees or tenants, but some property costs remain, including property management of the Renfrew properties, security, maintenance, and capital reserves.

Based on these revenues and expenses, TDC will net $4.4 million by 2022, growing to $5 million by 2026. A $417,000 deficit in Year 1, 2017, would be covered by the reserve created from the up to $5 million cash contribution from the Foundation.

TDC Cash Flow

TDC Cash Flow - 2022	
Project Level Cash Flow	
	2022
W Renfrew Retail (Lehigh & Knox)	528,033
E Renfrew - (7403-7405 Balt. + Little Tavern)	167,172
UMD Hotel	482,200
Quality Inn	554,961
8320-8400 Baltimore Ave	279,329
W Renfrew Parking	228,006
UMD Land (n of Rossborough)	105,981
Old Leonardtown / Sigma Chi	1,273,149
Parking Lot (s of Rossborough)	912,983
Innovation District B	744,541
Innovation District C	796,911
Paint Branch Building	-
Metzerott	-
Building 6	-
Building 11	-
MilkBoy at the Clarice	172,250
Revenue Total	6,245,516
Expenses	
Staffing	
Executive Director	282,852
Accounting and Bookkeeping	135,769
Senior Development Manager	169,711
Development Manager	135,769
Administration	90,513
Overhead	
Rent	33,942
Utilities,Taxes, Insurance	11,314
Office Supplies & Services, IT	6,788
FF&E	11,314
Fixed Expense	-
Property Management	27,808
Security & Maintanance	28,285
Snow Removal	16,971
Taxes	33,942
Insurance	113,141
Legal	84,856
Variable Expense	
Transfer Tax	92,930
Technical Assistance	282,852
CapEx Reserve	282,852
Total Expenses	1,841,610
Net Operating Income	4,403,906
TDC Yield	
TDC Cost Basis	58,422,015
TDC Yield - All In	7.54%

TIMING AND DISTRIBUTION

TDC's cost basis, on which its yield is derived, is calculated based on when each asset becomes productive. Only when an asset is development ready is it recognized on TDC's books, to keep property contributed, purchased before the formation of TDC, from diluting its returns.

At launch, TDC will receive a $5 million contribution from the Foundation, along with the Renfrew properties and the Hotel, which is currently paying ground rent, along with the master lease for MilkBoy at the Clarice. These contributions total to $18 million. In 2018, Quality Inn is added when Bozzuto begins their payment ($1 million). In 2019, assuming the UMD land, Old Leonardtown, the first phase of the Innovation District on Parcel B, and 8320-8400 Baltimore Ave are contributed, the asset base increases to $49 million.

			2017	2018	2019	2020	2021	2022
Property		**Development Concept**	**Contribution Year and Value**					
Capital Contribution			*5,000,000*					
W Renfrew Retail (Lehigh & Knox)	UMCP	Existing	5,070,000					
E Renfrew - (7403-7405 Balt. + Little Tavern)	UMCP	Existing	1,775,000					
UMD Hotel	UMCP	Hotel	5,431,500					
Quality Inn	UMCP	Bozzuto Dev. Plan		11,700,000				
8320-8400 Baltimore Ave	UMD	Existing			10,650,000			
W Renfrew Parking	UMCP	Mixed-use			1,400,000			
UMD Land (n of Rossborough)	UMD	Mixed-use			1,514,055			
Old Leonardtown / Sigma Chi	UMD/UMCP	Faculty & Staff Housing			5,496,296			
Innovation District B	UMD	Research & Tech Hub				3,649,289		
Parking Lot (s of Rossborough)	UMD	Mixed-use				1,818,691		
Innovation District C	UMD	Research & Tech Hub						3,717,183
Paint Branch Building	UMD	As Is						
Metzerott	UMD	As Is						
Building 6	UMD	As Is						
Building 11	UMD	As Is						
MilkBoy at the Clarice	UMCP	MilkBoy at the Clarice	1,200,000					
Asset Base Total			18,476,500	30,176,500	49,236,852	54,704,832	54,704,832	58,422,015

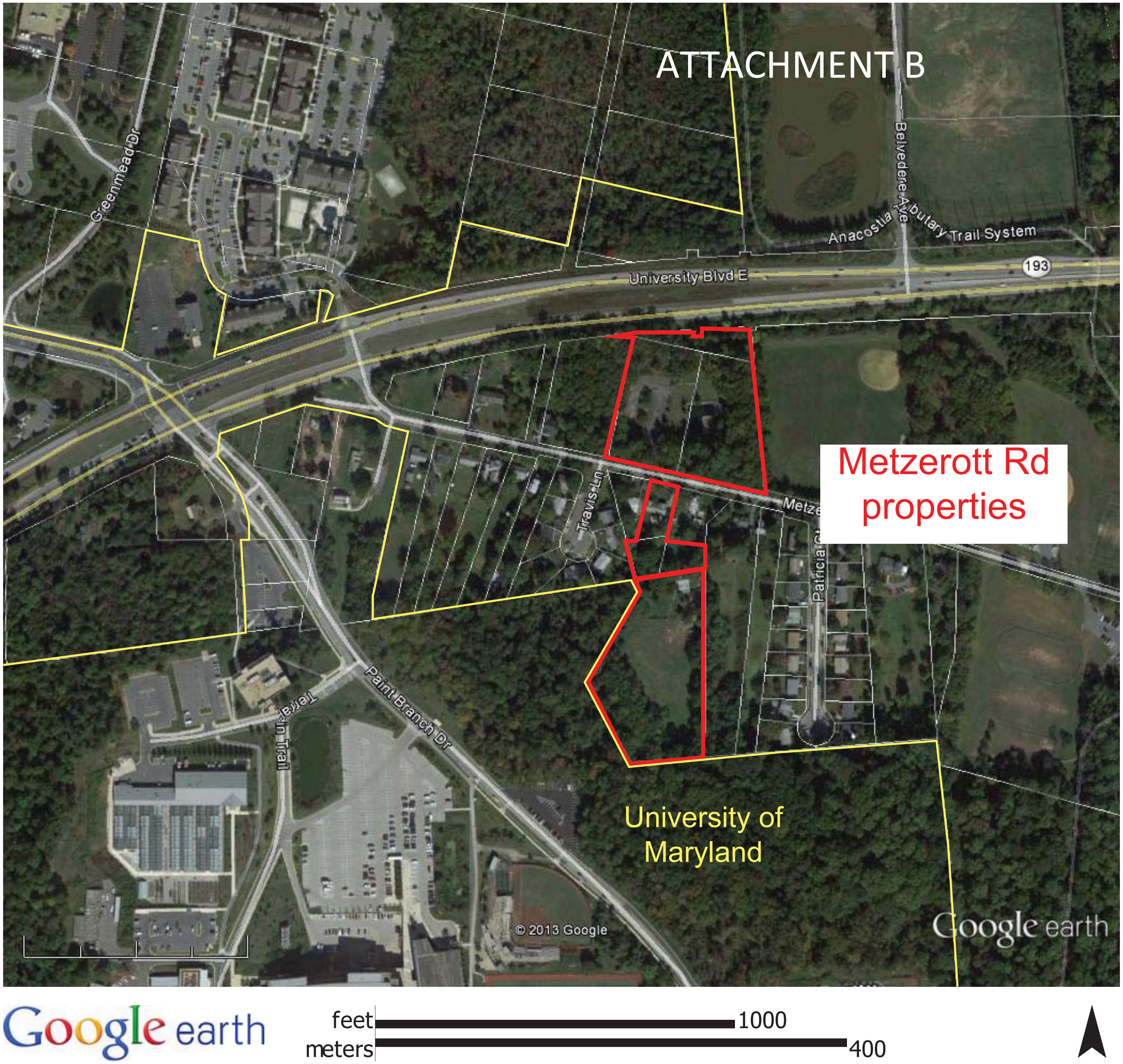
By 2022, the total real estate asset base is $58.4 million, with a return of 7.5%.

TDC will distribute proceeds at the discretion of its Board. As the below chart shows, it will run a deficit in Year 1 of $617,000, but generate positive cash flow thereafter. Importantly, from Year 2 moving forward TDC is projected to generate positive cash flow. Beyond the operating cash flow, TDC will spend funds on an annual basis in predevelopment and placemaking, deducting from the $5 million predevelopment fund. While those expenses are difficult to predict, this financial model assumes TDC spending $750,000 annually in the first six years of operation, and another $500,000 in the seventh year, exhausting the capital fund. In this projection, similar future predevelopment expenses would be deducted from accumulated reserves built over time from project operations.

TDC Capital Accumulation

	Beginning Balance	Operating Cash Flow	Predevelopment Funding	Ending Balance
2017	5,000,000	(676,001)	(750,000)	3,573,999
2018	3,573,999	441,850	(750,000)	3,265,850
2019	3,265,850	1,052,288	(750,000)	3,568,138
2020	3,568,138	2,829,995	(750,000)	5,648,132
2021	5,648,132	3,260,597	(750,000)	8,158,730
2022	8,158,730	4,403,906	(750,000)	11,812,636
2023	11,812,636	4,611,637	(500,000)	15,924,273
2024	15,924,273	4,711,397	-	20,635,670
2025	20,635,670	4,834,189	-	25,469,859
2026	25,469,859	4,939,243	-	30,409,102
2027	30,409,102	5,049,241	-	35,458,343
2028	35,458,343	5,140,571	-	40,598,914
2029	40,598,914	5,255,674	-	45,854,588
2030	45,854,588	5,351,702	-	51,206,291
2031	51,206,291	5,450,170	-	56,656,461
2032	56,656,461	5,551,139	-	62,207,600
Total			(5,000,000)	

Assumes a $5MM capital fund with $750,000 in annual expenditures beginning in Year 1 for illustrative purposes only. Actual capital fund size and timing of contribution is yet to be determined.


ATTACHMENT B
Metzerott Rd
properties
University of
Maryland
Greenmead Dr
University Blvd E
193
Anacostia Tributary Trail System
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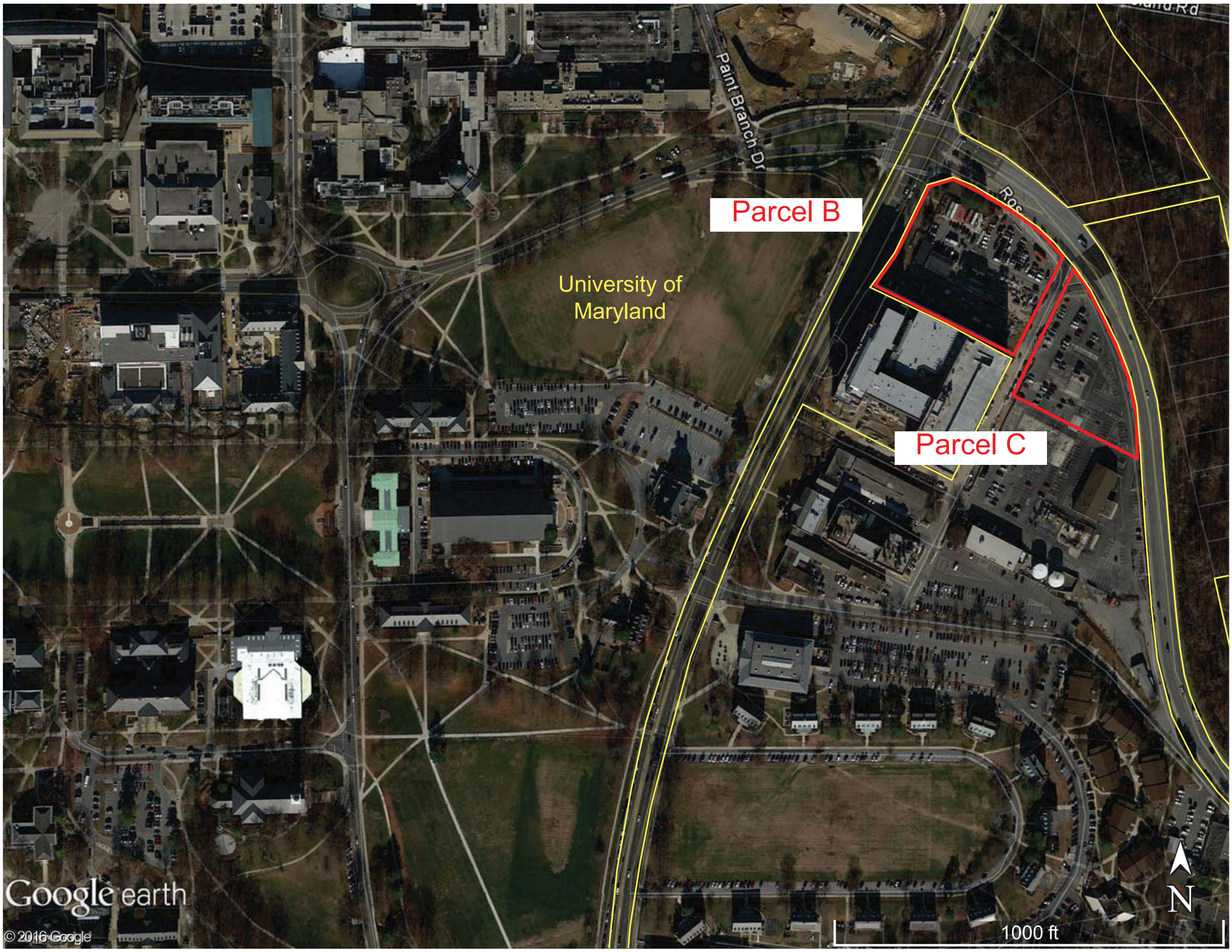

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